Questions for PubPol/Econ 541
Aug 28

The State of Play in International Trade and Trade Policy I: Trade Wars

Bown & Kolb, "Trump's Trade War Timeline: An Up-to-Date Guide," PIIE, December 31, 2023.

- With what countries was the US engaged in a trade war, in the sense that we used tariffs against them, and they responded with tariffs against us? **<a: Certainly EU, Canada, and Mexico with our tariffs on iron and steel. And China with our tariffs on a range of things. Not Korea, apparently, as we exempted them due to a quota, and not perhaps other countries such as Brazil and Australia.>**
- What have been the legal bases (within the US) for tariffs and threats of tariffs on solar panels, washing machines, steel, aluminum, Chinese exports, cars, and Mexico? **<a: For solar panels and washing machines, safeguards. For steel, aluminum, and cars, national security. For Chinese exports, intellectual property abuses. For Mexico, it's not clear.>**
- To what extent have the US and other countries used the World Trade Organization in these disputes? **<a: They have, at least a little, initiated disputes. But there's no mention of these having any outcomes.>**
- What is the current status of the trade war with China? **<a: It's on hold, under the "Phase One" agreement, with US not raising tariffs and reducing a few, and China promising to buy more agricultural products from US. But China failed to increase purchases, which actually declined, and there is no word yet of how this will be responded to, if at all.>**
- To what extent has President Biden Reversed the tariffs begun by Trump? **<a: On solar tariffs, Biden extended them, then temporarily suspended some for Southeast Asia. On metals, the US lifted some tariffs on the EU and on steel from Japan, the UK, and Ukraine. On China, not at all, though mention of "reinstating" some tariff exclusions may have meant something.>**
- What main new actions have happened under Biden? **<a: The CHIPS Act and related controls.>**

Steel & Aluminum:

Reuters, "Biden extends EU steel, aluminum tariff exemption for 2 years," *Reuters*, December 28, 2023.

- How high were the tariffs before the suspension? **<a: 25% on steel, 10% on aluminum.>**
- When were they suspended and against whom? **<a: January 2022 on the EU, and now extended to, apparently, January 2026.>**
- What were the tariffs replaced with? **<a: Tariff-rate quotas letting 3.3 million metric tons of EU steel and 384,000 tons of aluminum into the United States tariff-free," with amounts in excess above that subject to the Trump tariffs.>**
- How are non-EU exports treated? **<a: No change, presumably subject to Trump tariffs.>**

Rampell, Catherine, "The terrible lesson Biden learned from Trump on trade," *Washington Post*, April 18, 2024.

- What policy action prompted this article (not mentioned in the headline)? **<a: Biden's call to triple the tariffs on steel and aluminum from China.>**
- What effect does this say tariffs on steel have on jobs in the US, and why? **<a: Negative, because it costs more jobs in steel-using industries than in steel itself. The "ratio of steel-using jobs to steelmaking jobs is about 75 or 80 to 1.">**
- Will this policy, only on exports from China, be as costly? What other policy is mentioned that would be more so? **<a: No, because we imports so little steel from China – only about 25. But there's talk of limiting imports also from Mexico, from which we import much more.>**
- How does the shipbuilding industry enter this article? **<a: Biden has signaled support for new tariffs on ships, because the shipbuilding industry is hurting. But it is hurting, in part, because of the high tariffs on steel.>**
- What policy has Trump said he will enact if reelected, and how has Biden responded? **<a: Trump says he'll put a 10% tariff on all imports, and Biden has said this would be catastrophic.>**

Optional to Read:

Wall Street Journal Editorial Board, "Call Them the Biden-Trump Tariff S Now," *Wall Street Journal*,, October 26, 2022.

- Does this explain the headline? **<a: Not really, except that most of the Trump tariffs are still in place.>**
- If an industry doesn't use imported inputs, is it immune from the tariffs? **<a: No, as domestic producers raise prices.>**
- Is aluminum from Canada subject to the tariffs? **<a: No, except during a "brief reversal" in 2020.>**

China Tariffs:

Swanson, Ana, "The Contentious U.S.-China Relationship, by the Numbers," *New York Times*, July 7, 2023.

- Is China's economy bigger or smaller than the US economy? **<a: In nominal terms it is smaller, but in real (PPP adjusted) terms it is larger. Because a given nominal amount buys more there.>**
- How much has China contributed to global infrastructure and through what initiative? Can you tell how this compares to what the US has done? **<a: It has contributed more than a trillion dollars through its Belt and Road Initiative. This doesn't compare this to anyone else, though.>**
- How does China's military size and capability compare to the US? **<a: It is bigger in boats and people, but less well equipped.>**
- Where does China stand as a trading partner of the US? **<a: It is our #3 after Canada and Mexico, and imports have reached a record. But as a share they are falling. They are an important destination for US exports and source for our supply chains.>**
- Does China make cars? **<a: Yes, it is the world's biggest car exporter, especially electric vehicles.>**
- Is the US eager to export all products to China? **<a: No. There are 721 companies and organizations in China on our "entity list" to which we refuse to export certain products.>**

White House, "FACT SHEET: President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices," United States White House, May 14, 2024.

- What actions by China are these new tariffs a response to, and under what US law? **<a: Unfair trade practices, under US Section 301.>**
- What is the main evidence cited to China's actions? **<a: Market shares of 70, 80, even 90% of global production.>**
- How do these policies by Biden differ from those of Trump and Republicans? **<a: They are tagetted at special products and only from China.>**
- Are all the new tariffs in high-technology sectors? **<a: No, as they include rubber gloves and face masks. Steel is included, though the claim is to protect more green manufacturing.>**
- How large are the new tariffs, and when will they be implemented? **<a: Most at 25%, but a few are 50% and one even 100% (EVs). Most are to be implemented in 2024, but some by 2025 and even in 2026.>**

Foroohar, Rana, "Not all American tariffs are created equal," *Financial Times*, May 20, 2024. [3p]

- How do Biden's and Trump's tariff differ, according to this? **<a: Trump's were across the board, while Biden's are focused on particular sectors that we need to promote.>**
- Why does the author dismiss standard economic analyses of trade? **<a: Models assume a "level playing field." The field is not level, because rich countries have decent environmental and labor standards that China lacks.>**
- What other reasons does the author give to justify Biden's tariffs on China? **<a: China's goods, though cheap, are harmful to the environment due to its reliance on energy from coal and due to the cost of transport; China is supporting Russia and Iran; it is dangerous for the US to rely on a single source of things, such as energy, as we did for oil, because of market disruptions that we've seen.>**
- In what sense mentioned here does the US rely on China for energy? **<a: China produces 60% of battery cells. [Not mentioned are solar cells, etc.>**

Bounds, Andy, Alice Hancock, and Gloria Li, "EU to hit Chinese electric cars with tariffs of up to 48%," *Financial Times*, June 12, 2024.

- On what basis is the EU imposing higher tariffs on China's EVs? **<a: The finding that the are subsidized, by subsidised loans, tax breaks and cheap land.>**
- When are the tariffs to go into effect? Is it possible that they won't? **<a: They say July 4, 2024. And there are to be some negotiations that might avert them.>**
- Why are the new tariffs not the same for all EV makers in China? **<a: They differ in the extent to which the companies cooperated [I don't know how] with the subsidy probe.>**
- How large is China's tariff on imported EVs? How large was the EU's tariff on EVs before these new ones were added to it? **<a: China 15%, EU 10%.>**
- By how much has China's share of EU EVs increase since 2020? **<a: From 4% to 25%.>**
- The Kiel Institute estimated by how much imports of EVs would fall due to a 20% tariff? What did they say, and what does this suggest about the elasticity of demand for imports? **<a: They said imports would fall by a quarter suggesting an import demand elasticity larger than one.>**

Williams, Aime, "US targets Chinese steel exports with tariffs on shipments via Mexico," *Financial Times*, July 10, 2024.

- The tariff on steel from China was already 25%. What is different here? **<a: That this will apply to steel (and aluminum) from Mexico if it was not "melted and poured ii North America.">**
- What are the political and economic reasons for doing this? **<a: Politically, Biden seeks more support from parts of the US where steel is produced.**

Economically, this responds to the huge amounts of steel that China is producing (more than the world needs) due to subsidies.>

- What percentages of steel and aluminum from Mexico will be subject to these tariffs? **<a: Steel 13%, aluminum 6%.>**

Optional to Read:

Manak, Inu, Gabriel Cabanas, and Natalia Feinberg, "The Cost of Trump's Trade War With China Is Still Adding Up," Blog Post, Council on Foreign Relations, April 18, 2023.

- What reviews have been undertaken of Trump's tariffs on China? **<a: A statutory 4-year review asked industries that supported the tariffs and found support from at least one on each tariff to continue them (and hence USTR did). A second review asked the larger public. Results still being reviewed but this author looked at them>**
- What is the consensus of the feedback? **<a: 260 supported continuing them; 917 favored removal.>**
- What the economist studies say? **<a: The tariffs caused US real income to fall and the costs per passed on to consumers.>**
- Did Biden approve of the tariffs before he was elected? **<a: No. He said the American people were paying them, as Trump should have known from basic economics.>**
- How did the tariffs on imports affect US exports? **<a: They hurt them, through several mechanisms: retaliatory tariffs, higher costs, disadvantage relative to other exporters.>**
- Did the tariffs achieve their objective of changing China's behavior? **<a: The feedback says no.>**
- One responder said the tariffs caused them to move their production to China. Why would that be? **<a: Because the tariffs raised the cost of their inputs from China.>**

Bown, Chad P. and Yilin Wang, "Five Years Into the Trade War, China Continues Its Slow Decoupling From US Exports," ***Realtime Economics*****, Peterson Institute of International Economics, March 16, 2023.**

- What is the main conclusion of this article regarding the "decoupling" of the US and China? **<a: That there are clear signs that it is happening, in spite of the fact that China-US trade reached a record (nominal) high in 2022.>**
- Most of the focus here is on US exports to China. Are there any that expanded in 2022? **<a: Yes: Much of agriculture (though not pork and not wheat.>**
- What comparison do the authors use to infer what has happened, as opposed to whether the date just rise or fall? **<a: They compare to what they call a "trend" of would have happened if US share of China's exports had remained fixed. (I think.)>**

Warner, Bernhard, "How Companies Dodge Tariffs," *New York Times*, May 18, 2024.

- The headline says that companies "dodge tariffs." How do they do that, according to this? **<a: This only mentions producing EVs in Mexico. It also refers to Huawei accessing the materials it needed through a "web of gray area channels," but this wasn't a case of tariffs anyway.>**
- What negatives does this mention from tariffs? **<a: Inflation, slower growth, stifling competition, and limited consumer choice.>**
- What industrial policies do economists favor instead of tariffs? **<a: Carrots, not sticks. Specifically low-interesst loans and grants, such as have been included in Bipartisan Infrastructure Law, and the IRA and CHIPS acts.>**

Semiconductors:

Mozur, Paul and John Liu, Nicholas, "With Ban on Micron, China Escalates Microchip Clash With U.S.," *New York Times*, May 22, 2023.

- What was China's claimed basis for blocking purchases of chips from Micron? **<a: "Relatively serious cybersecurity problems.">**
- What actions had the US taken previously that might have motivated this? **<a: Work to cut of China's access to the smallest and fastest chips; billions of new subsidies for chip production in the US.>**
- What actions had China taken previously in this area? **<a: Computer hacks of American firms; policies designed to acquire closely held intellectual property; subsidies to domestic chip leaders.>**

Sohn, Jiyoung, Yang Jie, and Rhiannon Hoyle, "China's Export Curb on Chip-Making Metals Prompts Countries to Explore Supply-Chain Diversification," *Wall Street Journal*, July 5, 2023.

- Who is China targeting with its new restrictions on exports of gallium and germanium? **<a: It says its policies are nondiscriminatory, but it is clearly responding to efforts by the US to keep it from dominating in high-tech industries.>**
- What are the aims of China and the US? **<a: "Each seeks to dominate in core technologies with military and industrial applications.>**
- What steps does South Korea say it will pursue to deal with this? **<a: Diversity "sourcing routes;" develop alternative materials; develop recycling technologies.>**
- Does China have a natural monopoly on these materials? **<a: Apparently not, in the sense that the materials exist in many other countries. But they've been ignored there, allowing China to be come dominant. But many other places could and likely will start producing them.>**

Optional to Read:

Hayashi, Yuka and John D. McKinnon, "U.S. Looks to Restrict China's Access to Cloud Computing to Protect Advanced Technology," *Wall Street Journal*, July 4, 2023.

- Why is restriction of Chinese access to US cloud services closing a loophole in previous US export restrictions? **<a: Because Chinese who can't buy our chips can still use them through the cloud.>**
- What had China done just before this announcement? **<a: They had imposed "export restrictions on metals used in advanced chip manufacturing.>**
- What else is the US worried about China cutting off? **<a: Components to electric-vehicle batteries.>**
- Is the US alone in taking actions against China? **<a: No. It is expected to get Netherland and Japan to use similar restrictions on chip making equipment.>**

Economist, "Castles made of silicon: Should the world fear China's chipmaking binge?" *The Economist*, June 6, 2024,

- Is China the only one subsidizing chip manufacture? **<a: No. The US and EU are too, in approximately the same amount.>**
- What is the main policy, other than subsidies, that has impacted China's chipmaking ability? **<a: US restriction of sales of chip-making gear for the most advanced chips, preventing China from producing them at all and confining them to making "legacy chips" which are used in many ordinary products.>**
- Has China taken over the market for chips, and how are the US and EU responding? **<a: From the data her, no China is expanding, but it is still has a share of only about 30% and is not expected to rise by a huge amount by 2027. However, the US and EU are both initialing "reviews to gauge the effect of China's legacy-chip build-up on critical infrastructure and supply-chain security."**>