

Lessons Learned

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For presentation to students of Peter Debaere
University of Virginia
April 27, 2020

Lessons Learned from Recent Events

- Trump Trade Policies
- Brexit
- Pandemic
- Future of the World Trading System

Trump Trade Policies

- Importance of President
- US law loopholes
- Tariff exemptions
- Silence of hurt industries
- Tactic of extortion
- Public & official unawareness
- US as small country
- Trade re-routing

Trump Tariffs



MarketWatch photo illustration/Getty Images, iStockphoto



Donald J. Trump  @realDonaldTrump · Mar 2, 2018

When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!

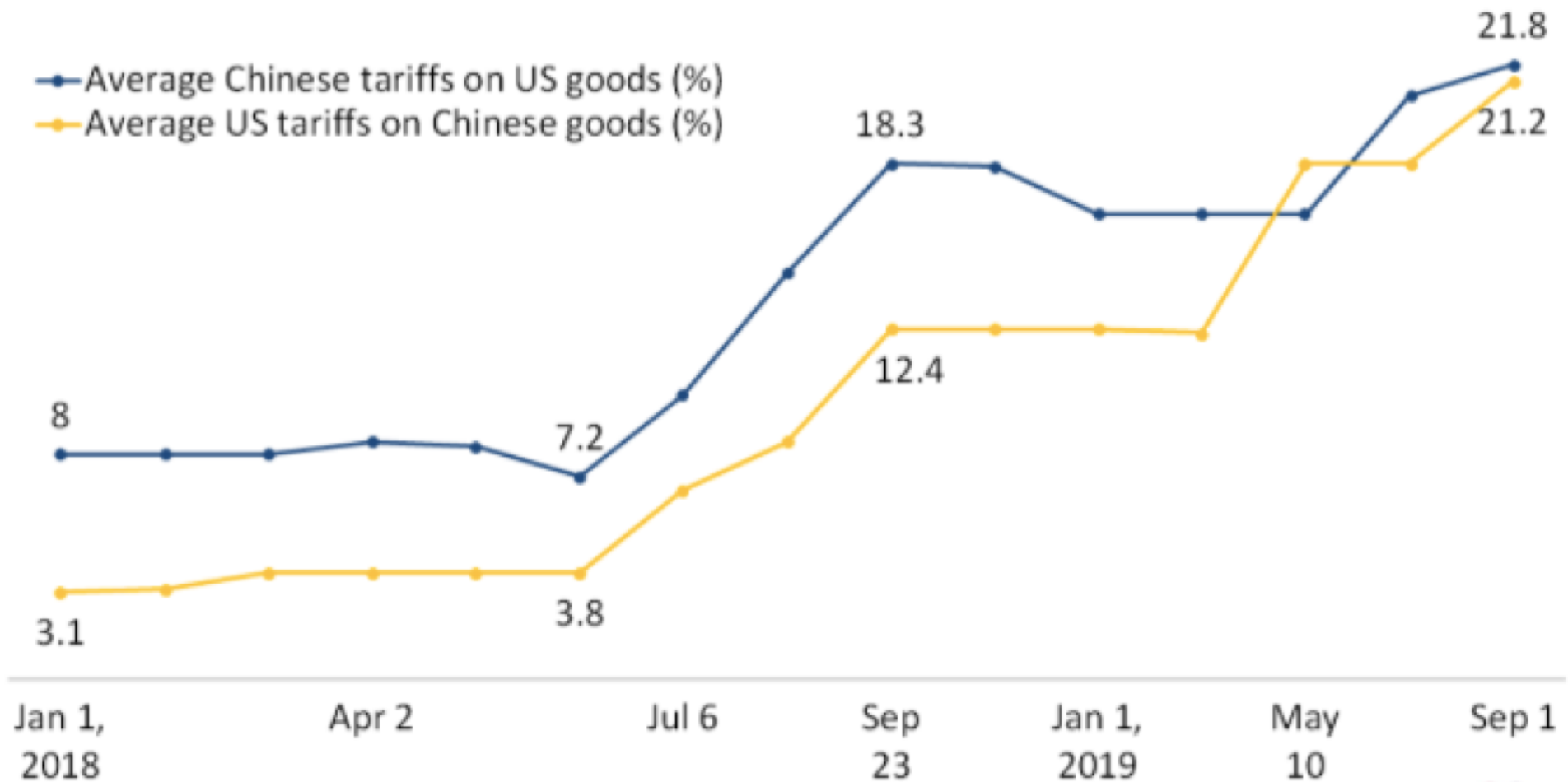
 27.2K

 19.3K

 90.1K



US-China tariff war



SOURCE: PIIE, USTR, International trade Centre, China's finance ministry



The first trade salvo was fired by the U.S. in early 2018, but the bilateral trade war between the U.S. and China really kicked into a higher gear in July 2018.

Source: CNBC.com

US Trade Laws

A light gray world map is centered in the background. Overlaid on the map is a large, semi-transparent red circle. Inside this circle, the text "SECTION 232 TARIFFS" is written in a bold, dark red, sans-serif font. Below this, the words "ALUMINUM & STEEL" are written in a white, italicized, sans-serif font.

**SECTION
232 TARIFFS**
*ALUMINUM
& STEEL*

[INFOGRAPHIC]

SECTION 232 TARIFFS

ALUMINUM AND STEEL

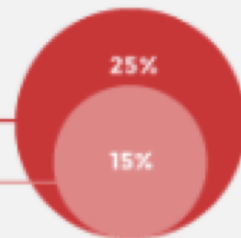


— RETALIATORY TARIFFS AGAINST THE U.S. —

CHINA

25% TARIFF ON 8 ITEMS
APRIL 2, 2018

15% TARIFF ON 120 ITEMS
APRIL 2, 2018



EUROPEAN UNION

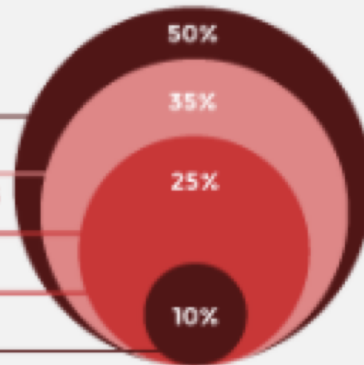
50% TARIFF ON 63 ITEMS
MARCH 23, 2018

35% TARIFF ON 3 ITEMS
MARCH 23, 2018

25% TARIFF ON 183 ITEMS
JUNE 22, 2018

25% TARIFF ON 43 ITEMS
MARCH 23, 2018

10% TARIFF ON 43 ITEMS
MARCH 23, 2018



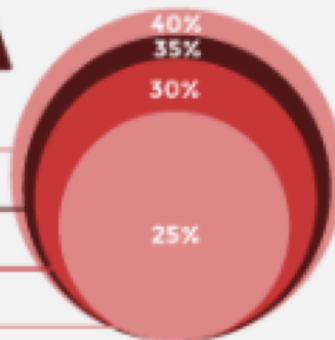
RUSSIA

40% TARIFF ON 3 ITEMS
AUGUST 5, 2018

35% TARIFF ON 2 ITEMS
AUGUST 3, 2018

30% TARIFF ON 46 ITEMS
AUGUST 5, 2018

25% TARIFF ON 28 ITEMS
AUGUST 5, 2018



INDIA

100% TARIFF ON 2 ITEMS
SEPTEMBER 18, 2018

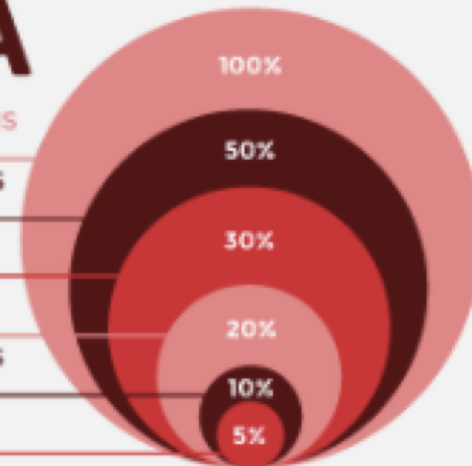
50% TARIFF ON 3 ITEMS
SEPTEMBER 18, 2018

30% TARIFF ON 1 ITEM
SEPTEMBER 18, 2018

20% TARIFF ON 1 ITEM
SEPTEMBER 18, 2018

10% TARIFF ON 8 ITEMS
SEPTEMBER 18, 2018

5% TARIFF ON 5 ITEMS
SEPTEMBER 18, 2018



TURKEY

140% TARIFF ON 1 ITEM
JUNE 21, 2018

120% TARIFF ON 1 ITEM
JUNE 21, 2018

60% TARIFF ON 2 ITEMS
JUNE 21, 2018

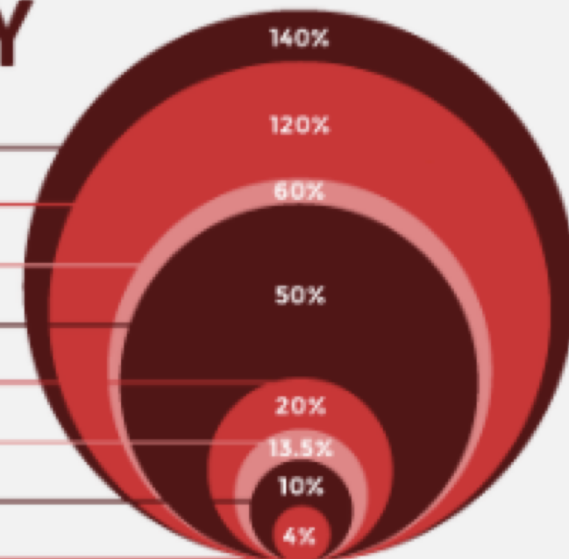
50% TARIFF ON 3 ITEMS
JUNE 21, 2018

20% TARIFF ON 1 ITEM
JUNE 21, 2018

13.5% TARIFF ON 1 ITEM
JUNE 21, 2018

10% TARIFF ON 8 ITEMS
JUNE 21, 2018

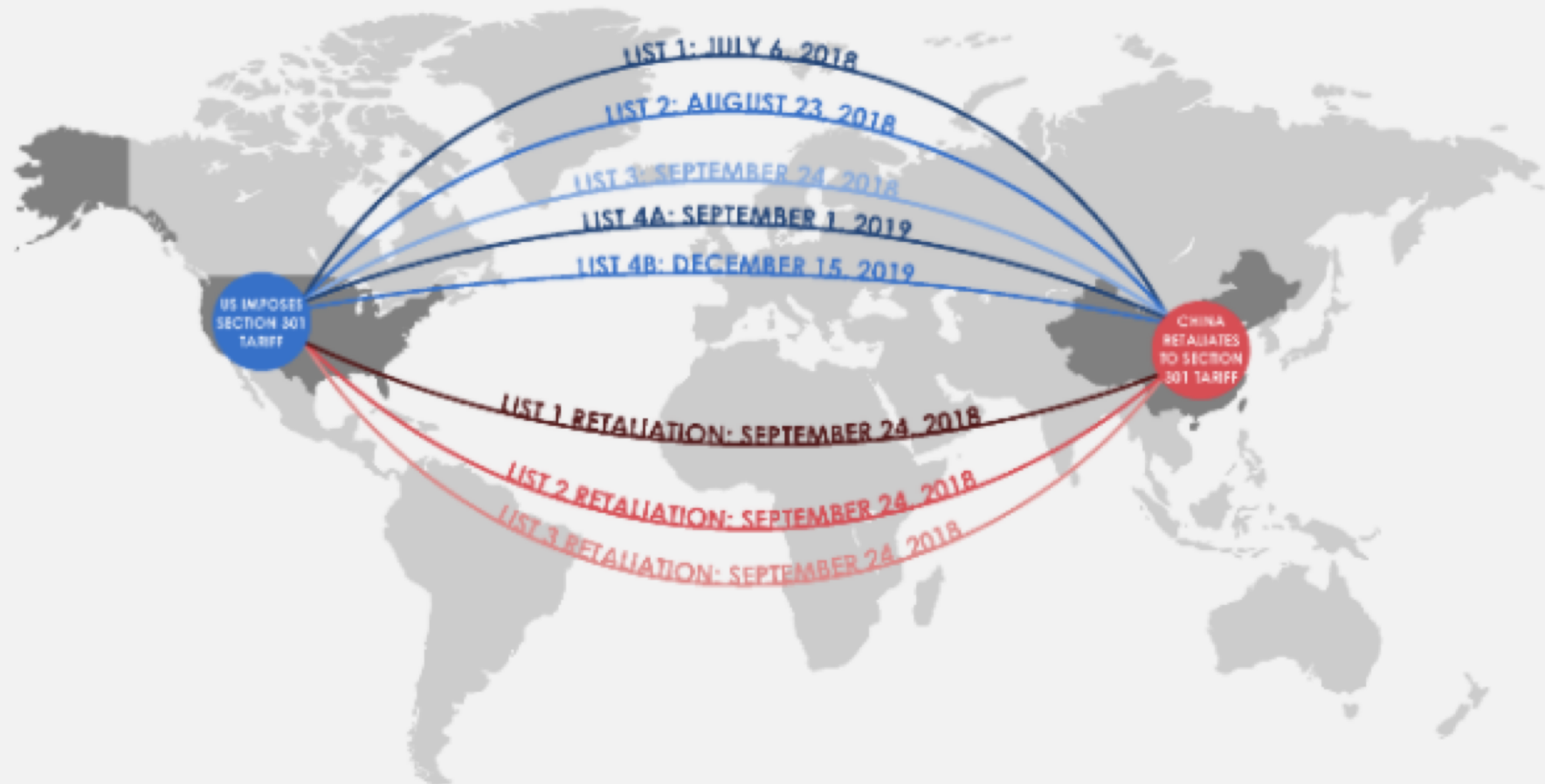
4% TARIFF ON 5 ITEMS
JUNE 21, 2018



**SECTION
301 TARIFFS**
*U.S. - CHINA
TRADE WAR*

SECTION 301 TARIFFS

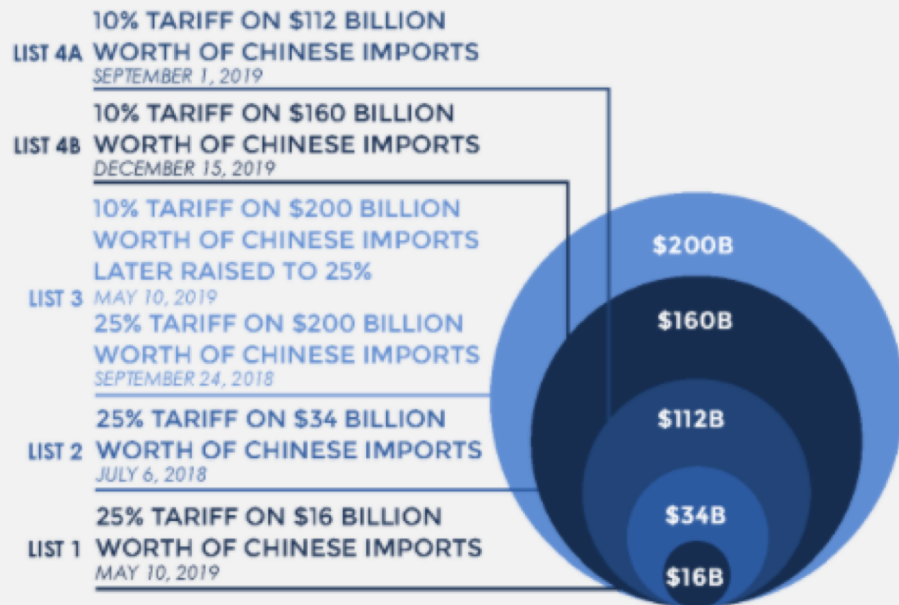
U.S. - CHINA TRADE WAR



SECTION 301 TARIFFS BREAKDOWN

UNITED STATES

CHINA



Tariff Exemptions

US grants nearly 1,000 exemptions from China tariffs

Industrial machinery and electronics parts among imports excluded in initial round

U.S. Trade Representative Robert Lighthizer, whose office recently approved the first tariff exclusions. © Reuters



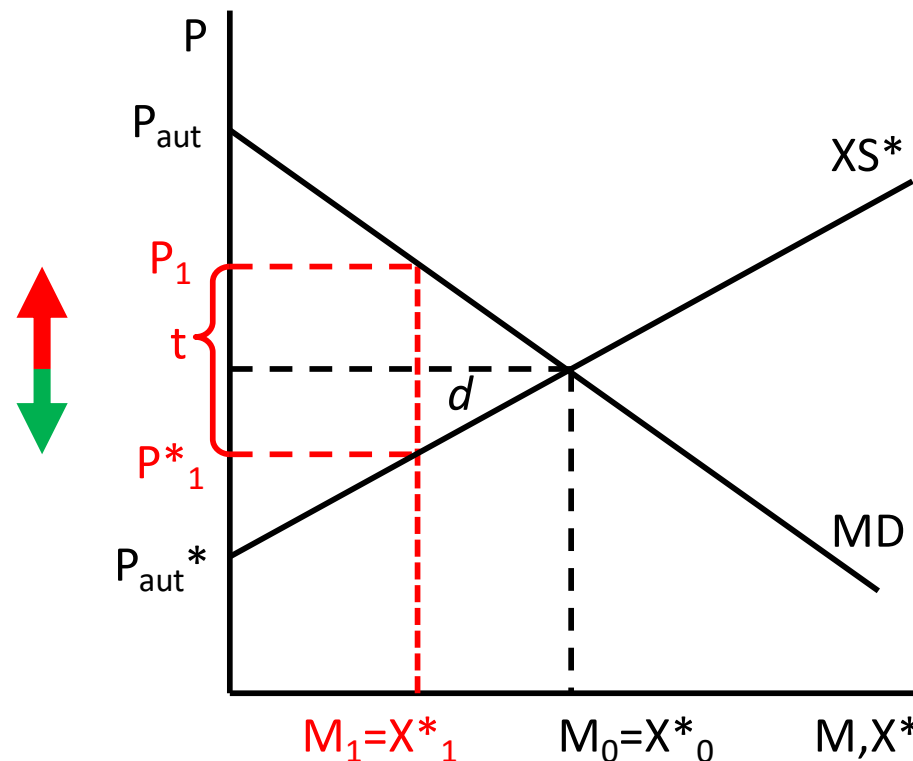
Source:
Nikkei
Asian
Review

Tariff Incidence

- Tariff raises price at home and lowers it abroad:

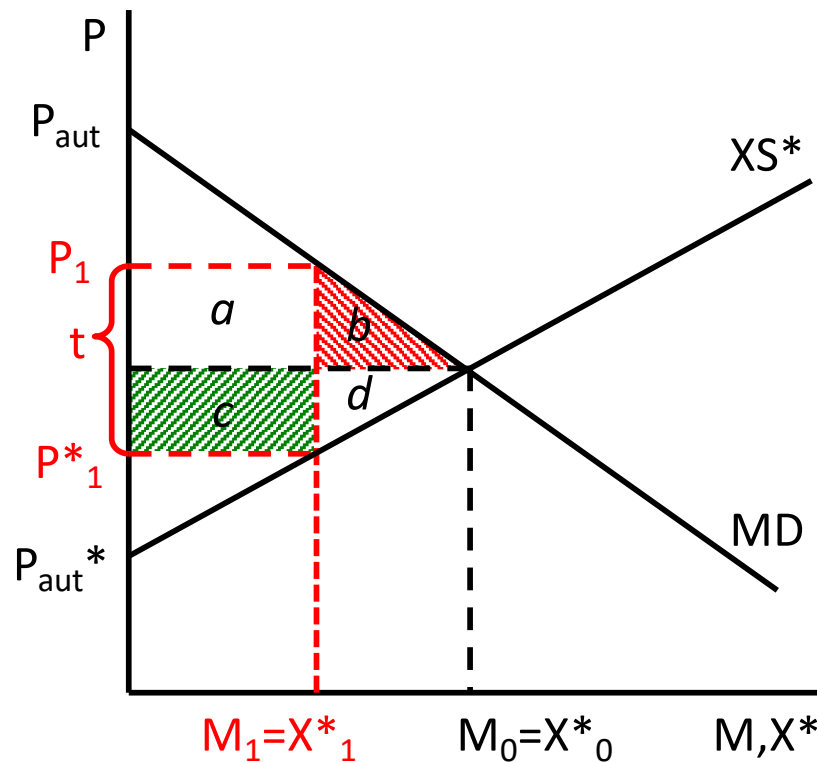
Tariff Incidence, Large Country

- Tariff
 - raises price at home and
 - lowers it abroad:



Tariff Incidence, Large Country

- Welfare effects



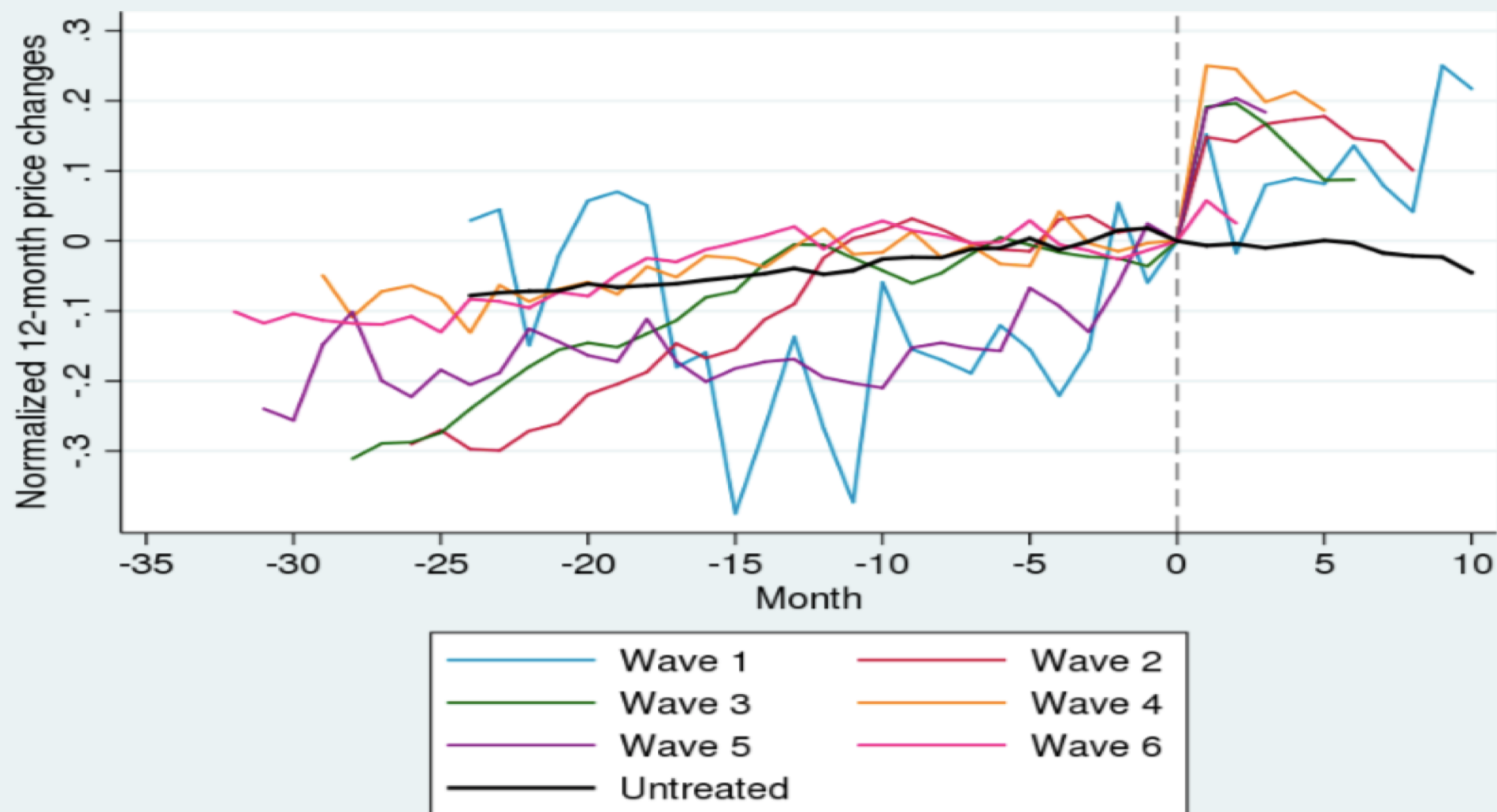
Welfare effects of a large-country tariff, starting from free trade

- Home:

Private loses	$-(a+b)$
Gov't gains	$+(a+c)$
Country:	$+c - b$
- Foreign

Private loses	$-(c+d)$
---------------	----------
- World loses $-(b+d)$

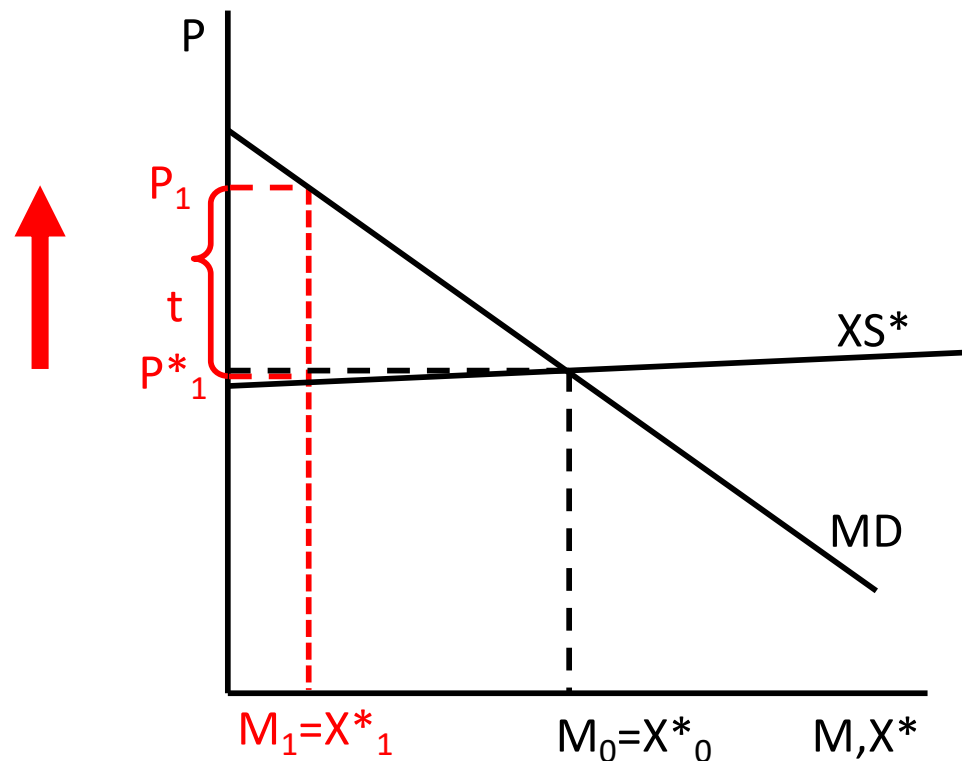
Figure 3: 12-month Proportional Change in Import Prices by Tariff Wave



Source: Amiti, et al. 2019.

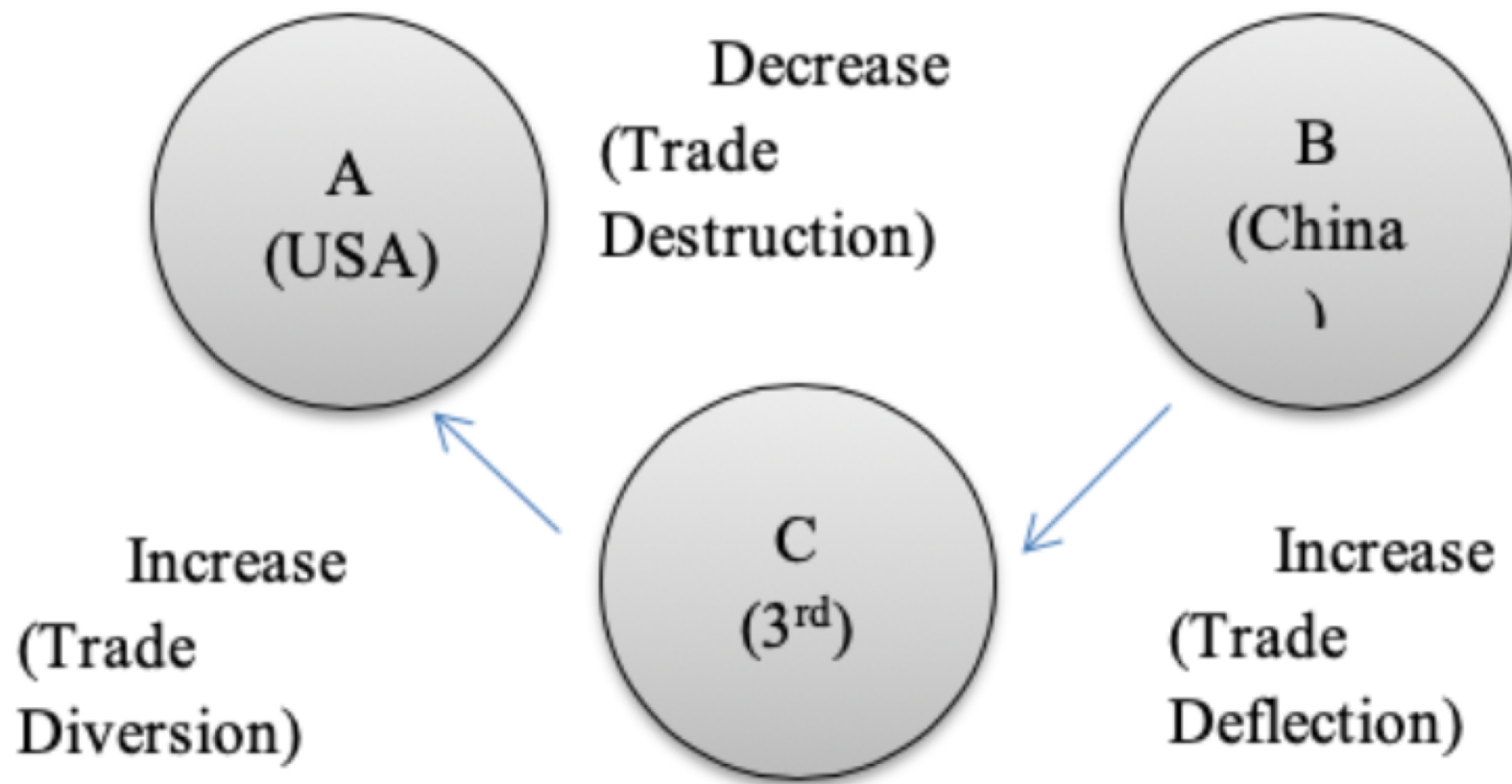
Tariff Incidence, US

- Tariff
 - raises price at home almost by full tariff
 - lowers it abroad hardly at all:



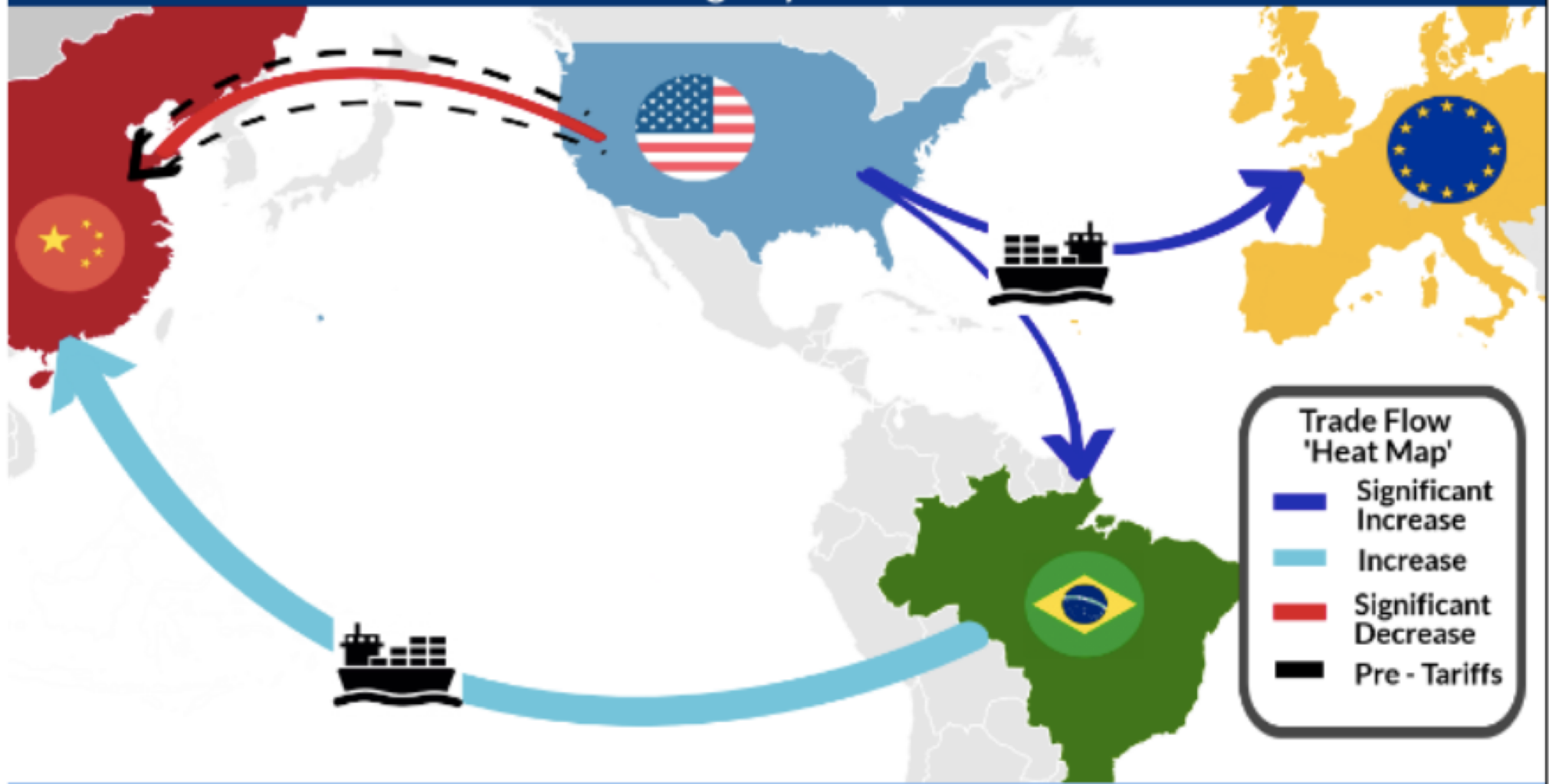
Trade Re-Routing

Figure 1 The impact of temporary trade protection measures on trade flows



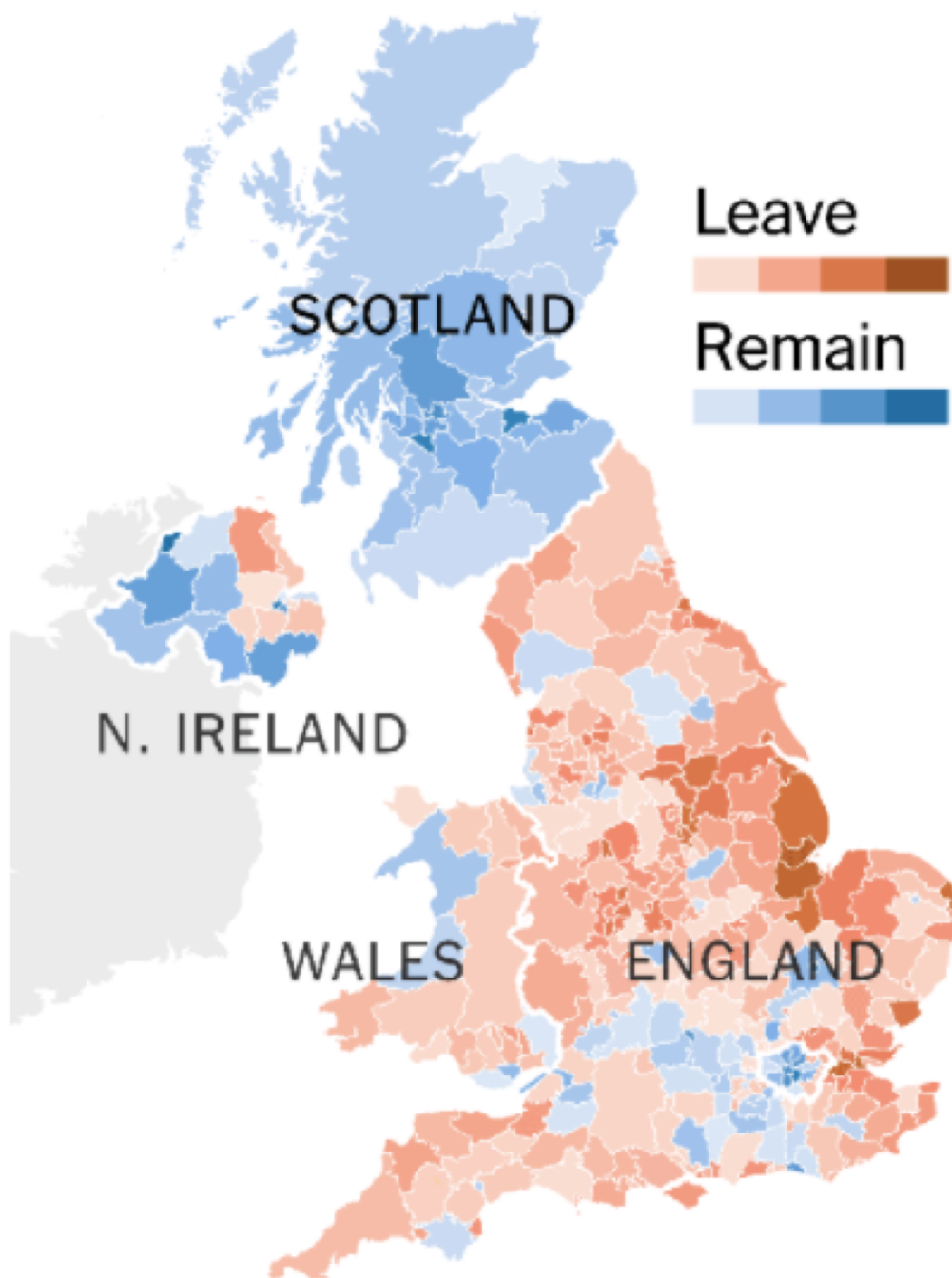
The impact of antidumping on trade flows and trade rerouting

Rerouting Soybean Trade



Brexit

- British public dislike of EU
- EU membership so complex
- EU country sub-units have power
- UK trade deals



Results by location

Remain

Leave

48%

52%

Britain

47%

53%

England

60%

40%

London

62%

38%

Scotland

48%

53%

Wales

56%

44%

N. Ireland

Brexit Timeline

Brexit: key events in the process of the UK's exit from the EU



Brexit timeline

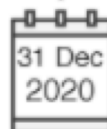


BREXIT DAY

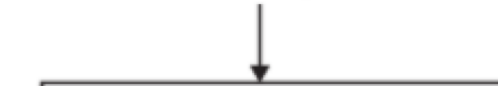
Trade talks can begin within weeks



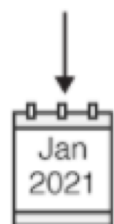
Deadline for extending the transition period passes



Has a trade deal been agreed and ratified?

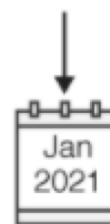


Yes



Start new
relationship with EU

No



Exit transition
without a trade deal

TOP BREXIT ISSUES KEEPING BUSINESS OWNERS UP AT NIGHT

When surveyed on their biggest concerns around Brexit in 2019, unknown factors around regulations topped the list, closely followed by concerns on the implications for EU employees.



Brexit Issues

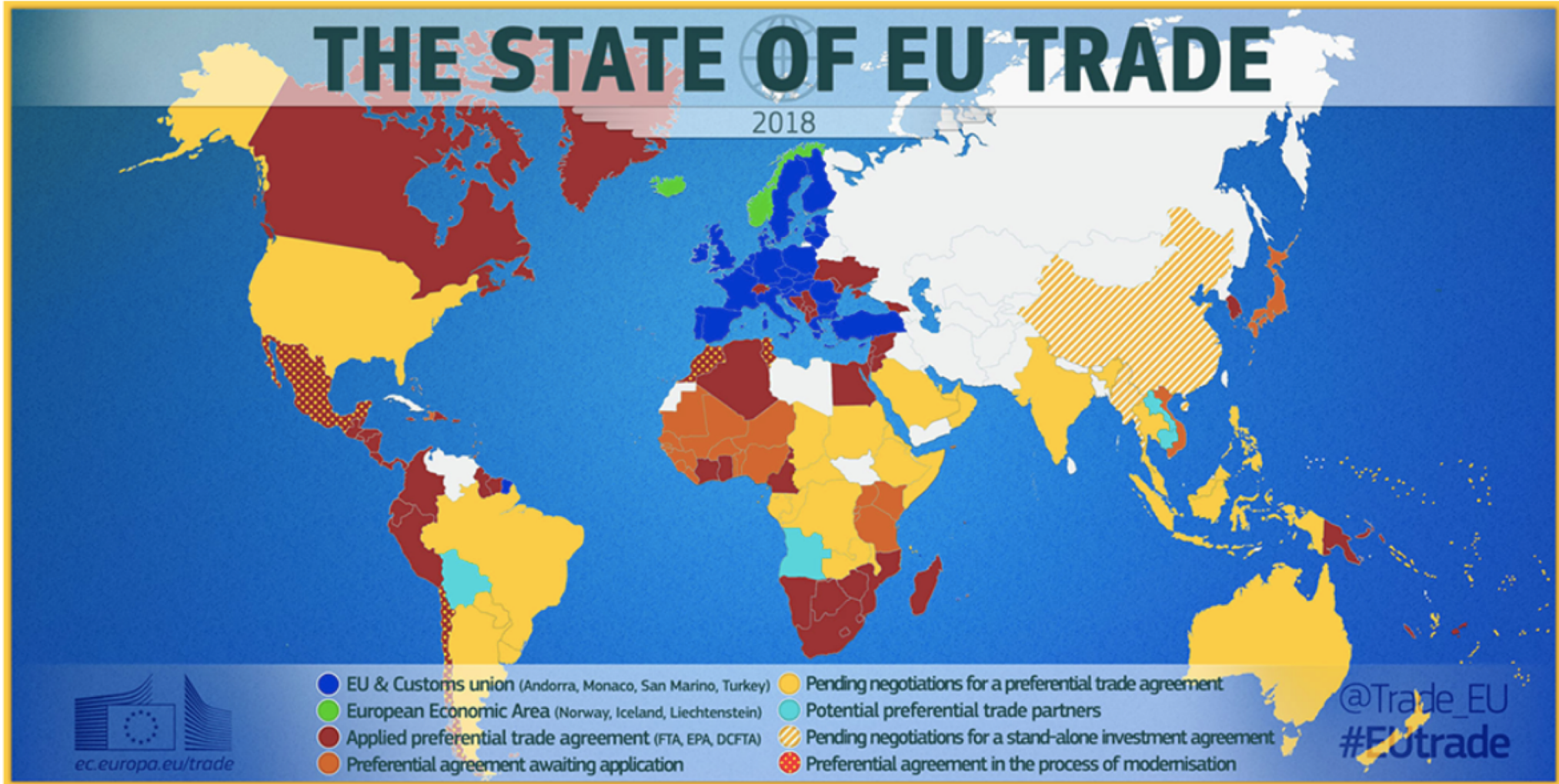
- Five Biggest
 - Trade
 - Migration
 - Divorce bill
 - Rights of Citizens
 - Border with Ireland

Brexit Issues

- And many others
 - Fisheries
 - Agriculture
 - Airlines
 - Digital services tax
 - Financial regulation
 - Bank “passports”
 - Employment right
 - Refugees



European Council Council of the European Union

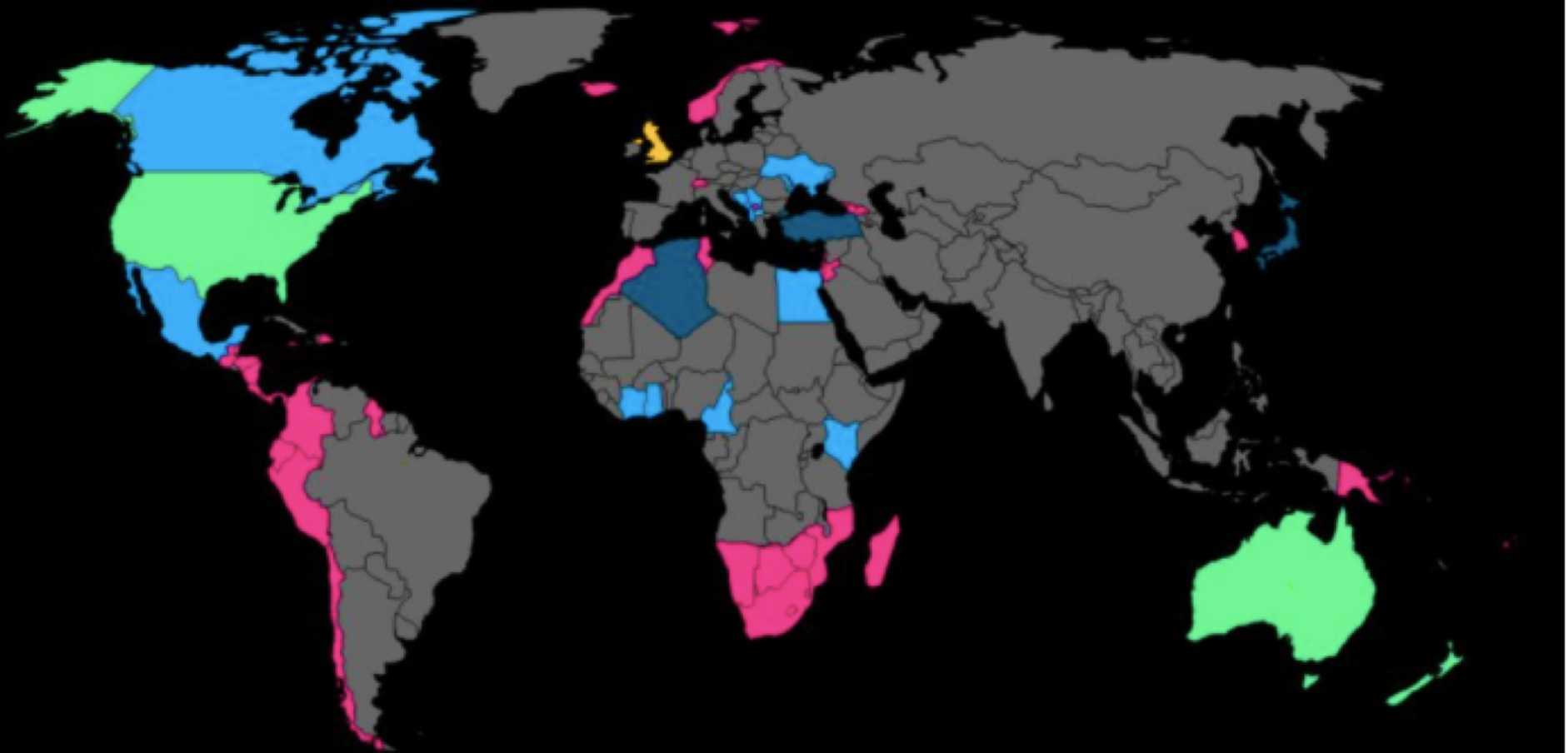


EU has trade agreements with many countries.
UK loses these with Brexit.

Post-Brexit Trade

Britain is preparing for its future outside of the European Union

■ U.K. ■ Trade deal signed ■ Talks ongoing ■ Deal unlikely by Jan. 31 exit date
■ Mutual recognition deal



Source: U.K. Department for International Trade

Bloomberg

UK is now negotiating many agreements to replace the EU agreements.

Pandemic

- Too much specialization with free trade?
- Unsure about policy response
- Adds to distrust of trade

Global trade volumes plunge

Year on year change, %



Source: CPB World Trade Monitor

© FT



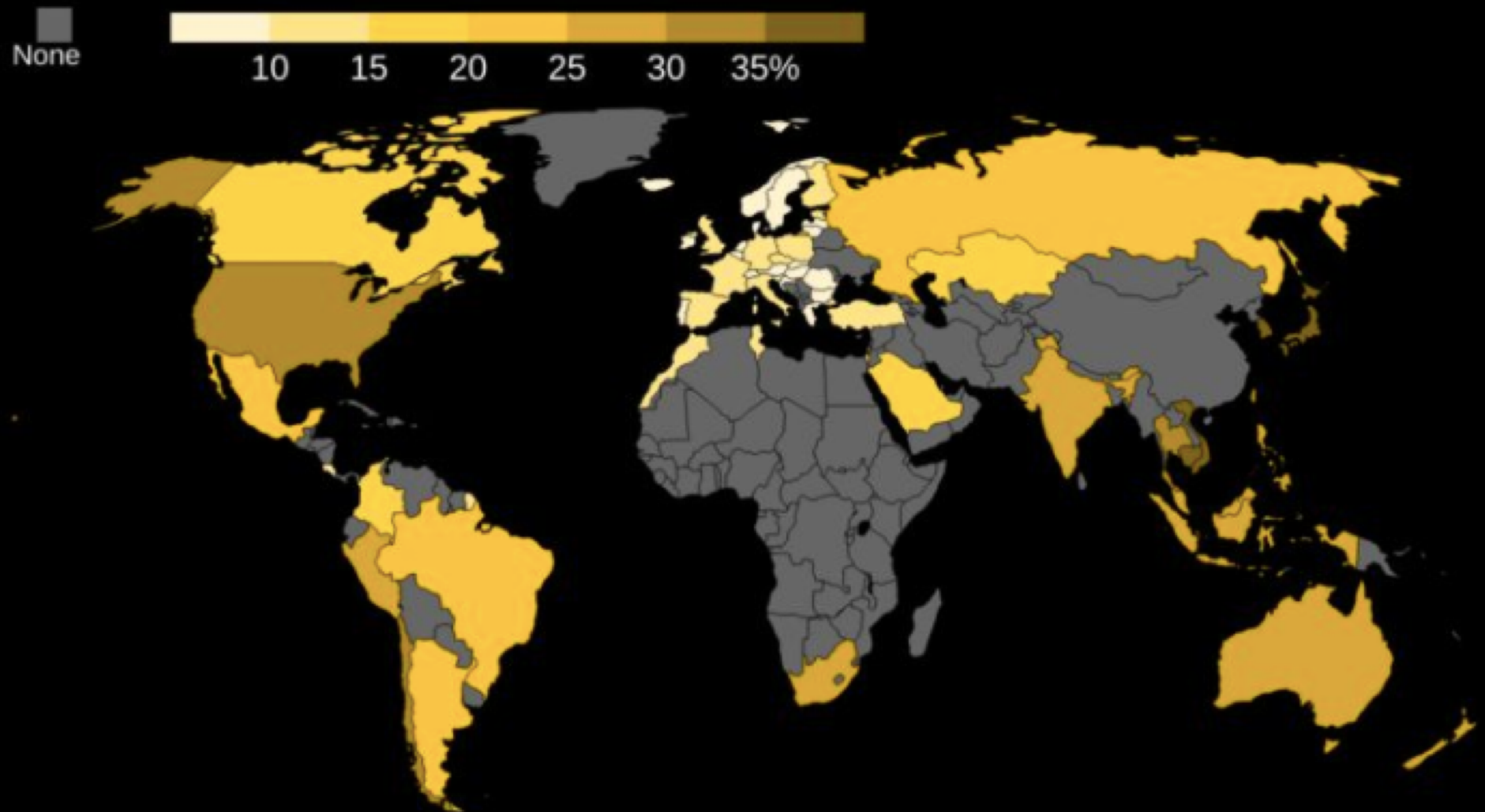
Global stocks spring back from March lows

FTSE All-World index



How Coronavirus Can Infect Global Supply Chains

Share of all imports of intermediate products coming from China



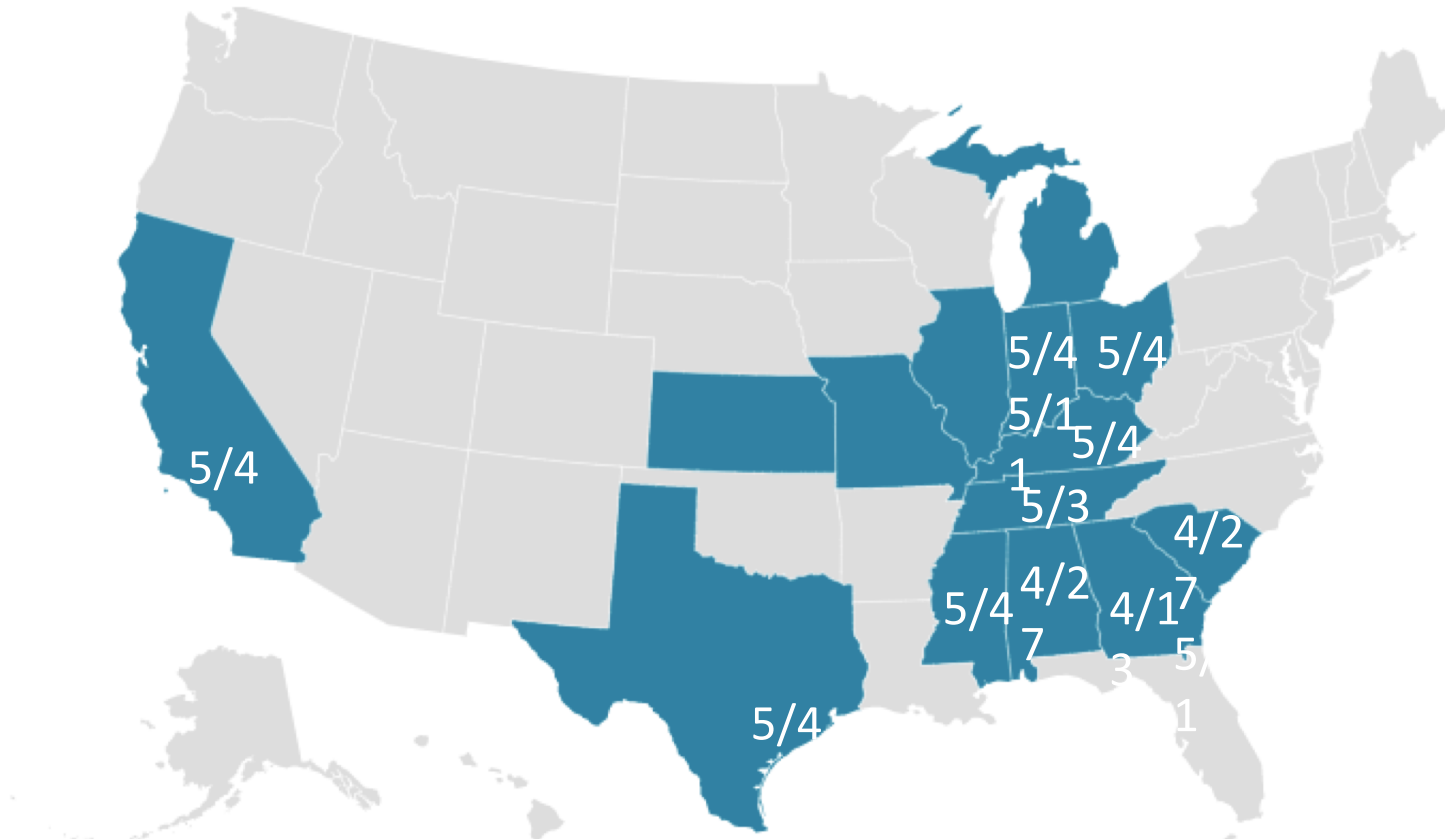
Source: OECD TiVA, Bloomberg Economics

Bloomberg

Source: *Bloomberg*, Jan 31, 2020

Where have vehicle assembly plants closed?

Click on a state in blue to learn more.



Plans to restart

As of Apr 22:

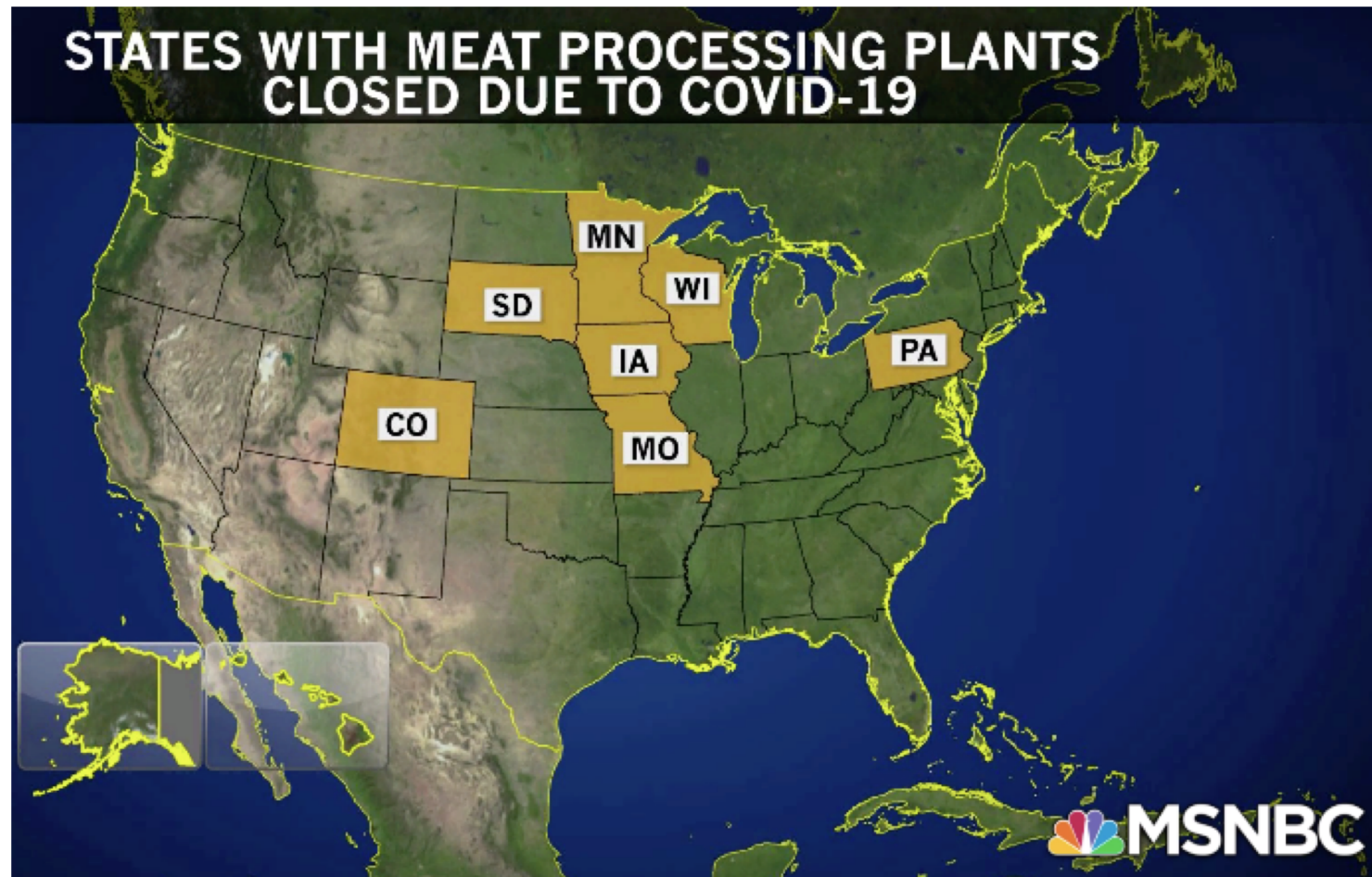
Ford: None

GM: None

FCA: sometime after
May 3

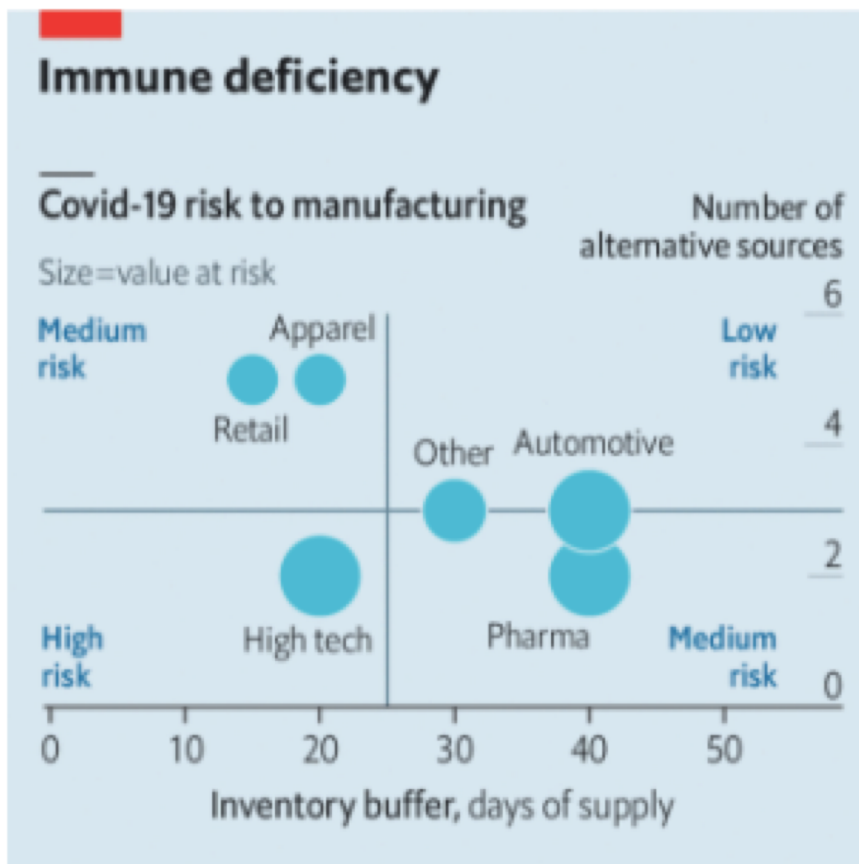
Others: See map

Source: Automotive News, March 25, 2020



Source: *MSNBC* Apr 20

The new coronavirus could have a lasting impact on global supply chains



Future of World Trading System

- Multilateral agreements already lost
- WTO dispute settlement broken
- Loss of US as global leader

Any Questions?

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