



News from the Trade War

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For presentation to
Ford School Faculty Lunch
May 28, 2019

Source for most of this

- <http://www-personal.umich.edu/~alandear/news/TradeNews.html>

Links to Trade News

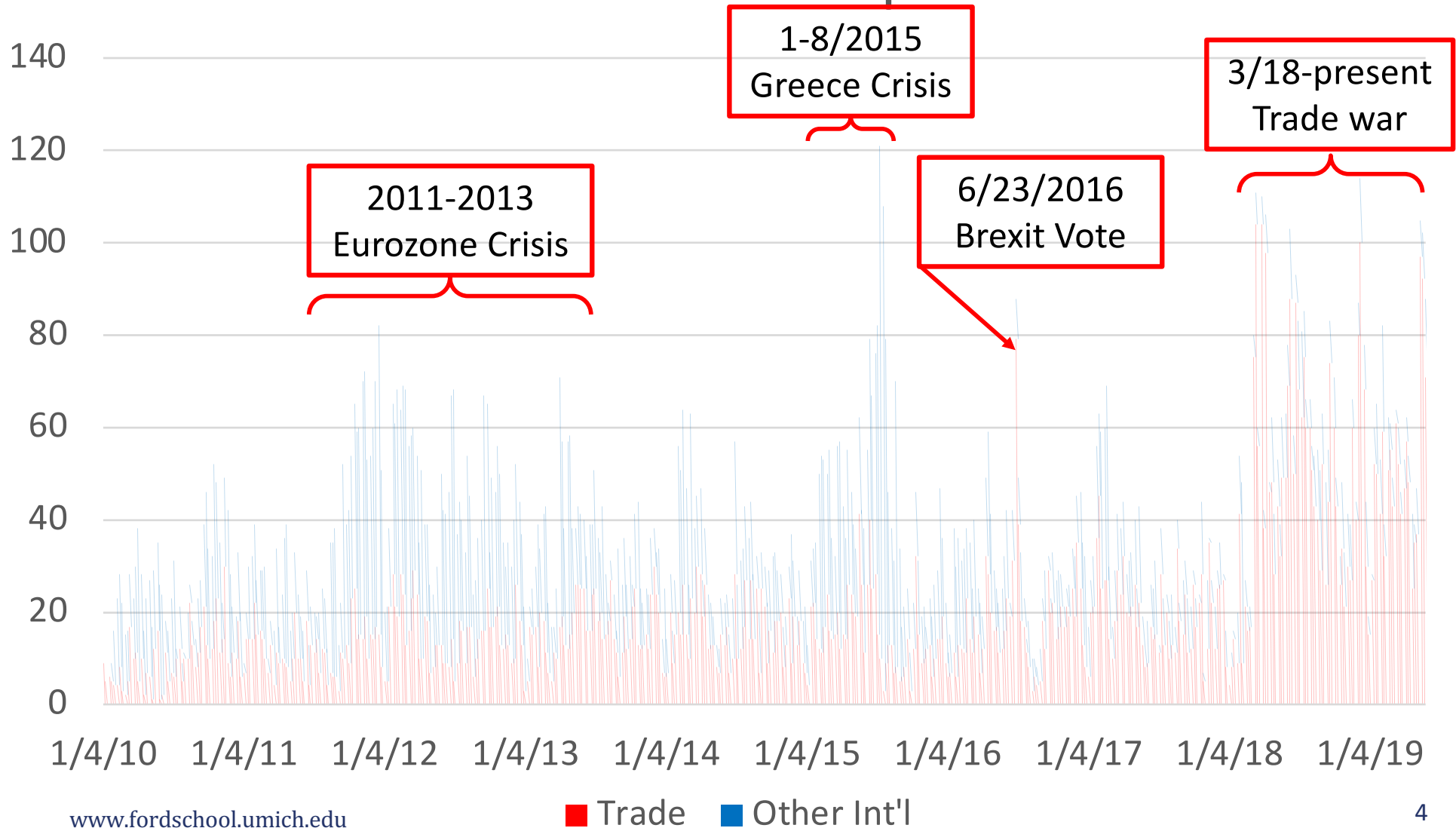
FEEDBACK

(Click here for other International Economic News)

Date	Topic	Author	Title	Public Source
May 26, 2019	Huawei	Kang	"Huawei Ban Threatens Wireless Service in Rural Areas"	NYT
May 26, 2019	Trade war: Farmer aid	FT	"The \$16bn bailout of US farmers is misguided"	FT
May 25, 2019	Trade war	Economist	"Big tech and the trade war"	Economist
May 25, 2019	Huawei	Economist	"Huawei has been cut off from American technology"	Economist
May 25, 2019	US metals tariffs on Canada and Mexico	Economist	"American importers of metals from Canada and Mexico gain relief from tariffs"	Economist
May 25, 2019	Brexit	Economist	"The Brexit Party wins the battle for Facebook clicks"	Economist
May 25, 2019	Huawei	Tsang & Satariano	"Huawei's European Customers Are Put on Hold by U.S. Ban"	NYT
May 25, 2019	Trump tariffs: Farmers	Cohen	"Pain of Tariffs Tests Farmers' Faith in Trump: 'How Long Is Short-Term?'"	NYT
May 25, 2019	Brexit	NYT	"Theresa May Had One Job — Brexit. She Failed."	NYT
May 25, 2019	Brexit	Barry	"Brexit 'Red Lines' Became a Trap for Theresa May"	NYT
May 25, 2019	Brexit	Mueller & Castle	"Theresa May's Resignation Throws a Fractured Britain Into Further Turmoil"	NYT
May 25, 2019	Huawei	Yap et al.	"Huawei's Yearslong Rise Is Littered With Accusations of Theft and Dubious Ethics"	WSJ
May 24, 2019	Trump tariffs: Fireworks	Telford	"Trump's tariffs could fizzle fireworks, an American tradition that's 95 percent made in China"	WP
May 24, 2019	Trade war: Farmer aid	Olsen	"Farmers shouldn't matter more than the rest of us"	WP
May 24, 2019	Brexit	Witte & Birnbaum	"What happens next with Brexit, now that Theresa May is resigning?"	WP
May 24, 2019	Trade war: Republican governors	Craig	"Republican governors walk tightrope between building Chinese trade relationship and offending Trump"	WP
May 24, 2019	Brexit	Adam & Booth	"Theresa May to resign, make way for new prime minister, after Brexit failures"	WP
May 24, 2019	Trade war: Chip makers	Grocer	"Chip Makers Are Punished as the Trade War Drags On"	NYT
May 24, 2019	Trade war: Rare earths	Bradsher	"China's Supply of Minerals for iPhones and Missiles Could Be a Risky Trade Weapon"	NYT
May 24, 2019	Trade war: Farmer aid	Swanson	"Trump Gives Farmers \$16 Billion in Aid Amid Prolonged China Trade War"	NYT
May 24, 2019	Trade war: Lenovo	Wong	"Trade Spat Is a New Worry For Lenovo"	WSJ
May 24, 2019	Eurozone exports	Hannon & Fairless	"Eurozone Economy Slows as Demand for Exports Stalls"	WSJ
May 24, 2019	Trade war: Farmer aid	Zumbrun & Mauldin	"Trump Administration Rolls Out \$16 Billion Farm-Aid Program"	WSJ
May 24, 2019	Huawei	Waters et al.	"Huawei v the US: Trump risks a tech cold war"	FT
May 24, 2019	Trade war	Banx	"Trump's trade war escalating"	FT
May 24, 2019	Huawei	Politi	"Donald Trump opens door to including Huawei in China trade deal"	FT
May 23, 2019	Trade war: Farmer aid	Reiley et al.	"Trump announces new \$16 billion aid package for American farmers hit in trade war"	WP
May 23, 2019	Brexit	Castle	"May Faces Calls to Resign Amid a Fresh Brexit R	NYT

Screenshot

Trade and other international economic articles in the news per week



Slide from Faculty Lunch,
Mar 27, 2018

- Is this a trade war? Or will it be?
- Too soon to say
 - The safeguard tariffs on solar panels and washing machines were normal uses of trade laws
 - The national security tariffs on steel and aluminum were not normal, but were vastly scaled back to mostly China and Russia
 - The tariffs on China, just announced, are still unknown
- Don't know yet if there will be
 - Retaliation
 - Counter-retaliation

Trade War!

- Now we know: It is a trade war!
 - Steel and Aluminum tariffs were extended to EU, Canada, Mexico
 - Tariffs were levied in 3 rounds on China
 - All were retaliated against with tariffs on US exports

- Casualties of the Trade War (& beneficiaries)
 - Soybeans (FT 6/24/18: US tariffs tip soyabean balance in Brazil's favour)
 - Harley Davidson (FT 6/25/18: US trade war with Europe revs up as Harley-Davidson shifts production)
 - Cheese (NYT 6/25/18: Trump's Trade War Could Shut Cheesemakers Out of Foreign Markets)
 - Chips: (WSJ 6/26/18: Chip-Equipment Makers in Crosshairs of Trade War)
 - Farm belt: (WSJ 7/2/18: Trade Fight Threatens Farm Belt Businesses)
 - Cars: (NYT 7/2/18: Automakers Report June Sales and China Tariffs Will Take Effect)
 - Tech devices: (FT 7/3/18: Millennials' favourite gadgets dragged into trade war)
 - Ketchup: (FT 7/6/18: American ketchup next on EU's list of trade targets)
 - Bourbon: (FT 7/6/18: No bourbon party in Kentucky as tariffs drown exports)
 - Rare earths: (NYT 7/12/18: How Rare Earths (What?) Could Be Crucial in a U.S.-China Trade War)

- Casualties of the Trade War

- Michigan: (NYT 7/13/18: Trump's Trade War With China Pierces the Heart of Michigan)
- Airplanes: (WSJ 7/16/18: Global Trade Spat Unnerves Plane Makers)
- Meat: (WSJ 7/23/18: 2.5 Billion Pounds of Meat Piles Up in U.S. as Production Grows, Exports Slow)
- Coke: (WSJ 7/26/18: Coke Raising U.S. Soda Prices, Citing Tariffs)
- Apple: (FT 7/29/18: Apple accessories at risk from Trump tariff threat)
- Almonds: (WSJ 7/30/18: U.S. Almond Farmers Are Reeling From Chinese Tariffs)
- Honda: (WSJ 8/1/18: Motorcycles Are Helping Honda Get a Handle on Tariffs)
- Pig feet: (WP 8/1/18: Chinese merchants fear Trump's trade war is hurting a popular snack: Pig feet)
- Copper: (WSJ 8/2/18: Copper Drops on New Tariff Threats)
- Kidney beans: (WSJ 8/3/18: Kidney Beans Piled to the Rafters: Tariffs Are Biting in Farm Country)
- BMW: (WSJ 8/3/18: BMW Weighs Measures to Counter Tariff Impact)

- Casualties of the Trade War
 - Cranberries: (WSJ 8/6/18: U.S. Cranberry Industry Feels the Bite of Retaliatory Tariffs)
 - Samsung: (WSJ 8/6/18: Samsung Tries to Navigate Through U.S.-China Trade Crossfire)
 - Cloud computing: (FT 8/7/18: US-China trade tariffs cast shadow over cloud computing boom)
 - Small Business: (WSJ 8/8/18: 'We Are at the Limit': Trump's Tariffs Turn Small Businesses Upside Down)
 - Natural gas: (WSJ 8/18/18: Trade Fears Throw Future of U.S. Natural Gas Into Question)
 - Foreign banks in China: (FT 8/19/18: Trade war imperils foreign banks' China plans)
 - Supply chains: (FT 9/3/18: Sino-US trade war prompts rethink on supply chains)
 - Tech startups: (FT 9/11/18: Tech start-ups bear the brunt of US tariffs on China)
 - US companies in China: (FT 9/12/18: Three in five US companies in China hurt by trade war tariffs)

- Casualties of the Trade War
 - Christmas: (WP 9/17/18: Trump could play Scrooge this holiday season)
 - Designer bags: (WP 9/19/18: Trump's trade war brings unexpected boom for knockoff designer bags from China)
 - Auto parts: (WSJ 9/20/18: Latest U.S. Tariffs Could Make Auto Parts Pricier)
 - RVs: (FT 9/23/18: Trump tariffs risk tarnishing American dream of mobility)
 - CB radios: (WP 9/23/18: Over and out: CB radio-maker struggles to adjust to Trump tariffs)
 - Windsor, ON: (FT 9/28/18: The Canadian border city on front line of Trump's tariff threats)
 - US food banks: (FT 9/30/18: Trump's trade wars fill US food banks to overflowing)
 - Oil: (WSJ 10/16/18: Another Victim of the Trade Spat: U.S. Oil to China)
 - Pork: (WSJ 10/19/18: America Struggles to Take Its Pigs to World's Biggest Market)
 - Pet food: (NYT 10/23/18: The Trade War's Latest Casualties: China's Coddled Cats and Dogs)

- Casualties of the Trade War
 - Transport workers: (WP 10/24/18: Hurt by Trump's trade war, ineligible for a bailout)
 - Foxconn: (FT 10/26/18: Foxconn slumps as worries build over trade war, iPhone margins)
 - Tourists: (WP 10/29/18: China has a big weapon that it hasn't used in the trade war — yet. Tourists.)
 - Taiwan: (FT 10/31/18: Taiwan factory gauge slumps as trade war worries rise)
 - Asian growth: (FT 11/4/18: US-China trade war starts to drag on Asian growth)
 - China's neighbors: (WSJ 11/7/18: China's Neighbors Could Win From U.S. Tariff Tussle)
 - AI: (FT 11/19/18: US considers export controls on AI and other new tech)
 - Columbia Sportswear: (NYT 11/24/18: A Winter-Coat Heavyweight Gives Trump's Trade War the Cold Shoulder)
 - Consumer variety: (WSJ 11/29/18: Consumer Beware: With Less Trade Comes Less Choice)

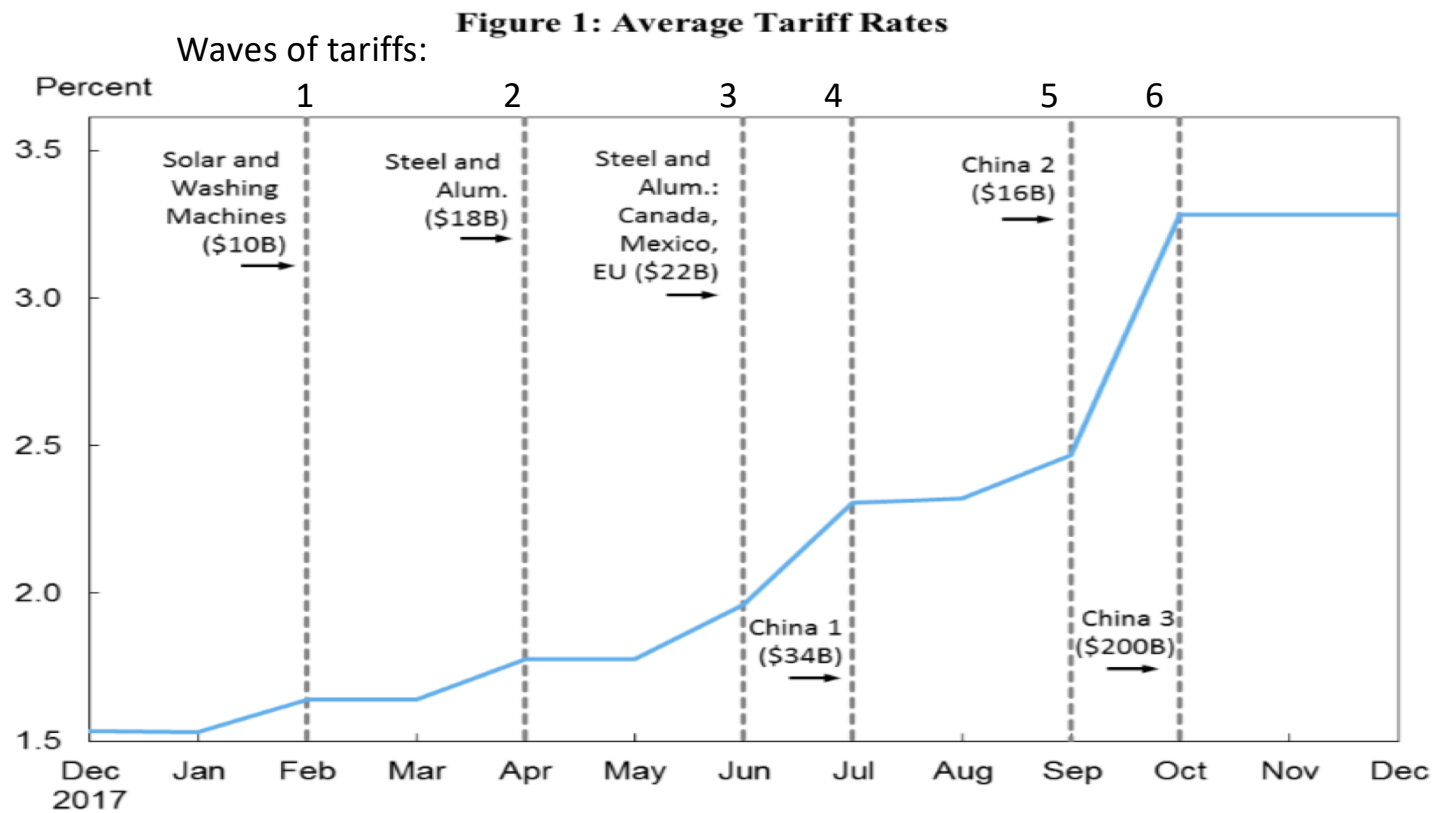
- Casualties of the Trade War
 - Australia farmers: (NYT 12/2/18: As U.S.-China Trade War Rages, Some Australian Farmers See an Opportunity)
 - GoPro: (FT 12/10/18: GoPro shifts production out of China to avoid tariff threat)
 - Kitchens: (WSJ 12/27/18: How Tariffs Could Trickle Down to Your Kitchen Remodel)
 - India: (FT 1/1/19: India vies to fill Chinese commodities gap created by trade war)
 - Whiskey: (WP 1/2/19: Whiskey sour: U.S. craft distillers say Trump trade war with Europe is killing export plans)
 - Steel: (FT 1/8/19: US steel prices fall to pre-tariff levels amid China slowdown worries)
 - Aluminum scrap: (WSJ 1/17/19: Aluminum Scrap Abounds Thanks to Tariffs)
 - EU: (FT 2/4/19: US-China tariff war will divert trade to EU, says UN)
 - Deere: (FT 2/15/19: Trade concerns weigh on earnings at tractor maker Deere)

- Casualties of the Trade War
 - Germany, Japan: (WSJ 2/15/19: Trade Friction Stymies Growth in Germany and Japan)
 - Russia soybeans: (WSJ 2/22/19: A Surprise Winner From the U.S.-China Trade Spat: Russian Soybean Farmers)
 - Lighting: (NYT 3/5/19: Illuminating the Risks of Trump's China Trade War)
 - Volvo: (FT 3/6/19: Volvo's Polestar electric car brand warns of US tariff impact)
 - Rubber: (WSJ 3/13/19: Rubber Ducks a Deeper Slump on Trade-Deal Hopes)
 - LNG: (FT 3/29/19: US-China trade war casts chill over liquefied natural gas market)
 - Milk farmers: (NYT 4/27/19: Stung by Trump's Trade Wars, Wisconsin's Milk Farmers Face Extinction)
 - Macy's: (FT 5/15/19: Macy's warns more Trump tariffs are threat to earnings)
 - Cisco: (FT 5/16/19: Cisco cuts back China manufacturing to ease tariffs hit)

- Casualties of the Trade War
 - Bicycles: (WSJ 5/18/19: Tariffs Put a Dent in the Bicycle Business)
 - Game of Thrones: (WSJ 5/21/19: ‘Game of Thrones’ Finale Frozen Out in China by Trade Fight)
 - Junk loans: (WSJ 5/21/19: Trade Battle Poses Risks for Junk-Loan Machinery)
 - World: (FT 5/21/19: The US-China conflict challenges the world)
 - Retailers: (WSJ 5/22/19: Big Retailers’ Sales Lag as They Gird for Tariffs)
 - Android: (WSJ 5/22/19: U.S.-China Trade War Could Block Android’s Two-Way Street)
 - Lenovo: (WSJ 5/24/19: Trade Spat Is a New Worry For Lenovo)
 - Republican governors: (WP 5/24/19: Republican governors walk tightrope between building Chinese trade relationship and offending Trump)

Effects of the Tariffs

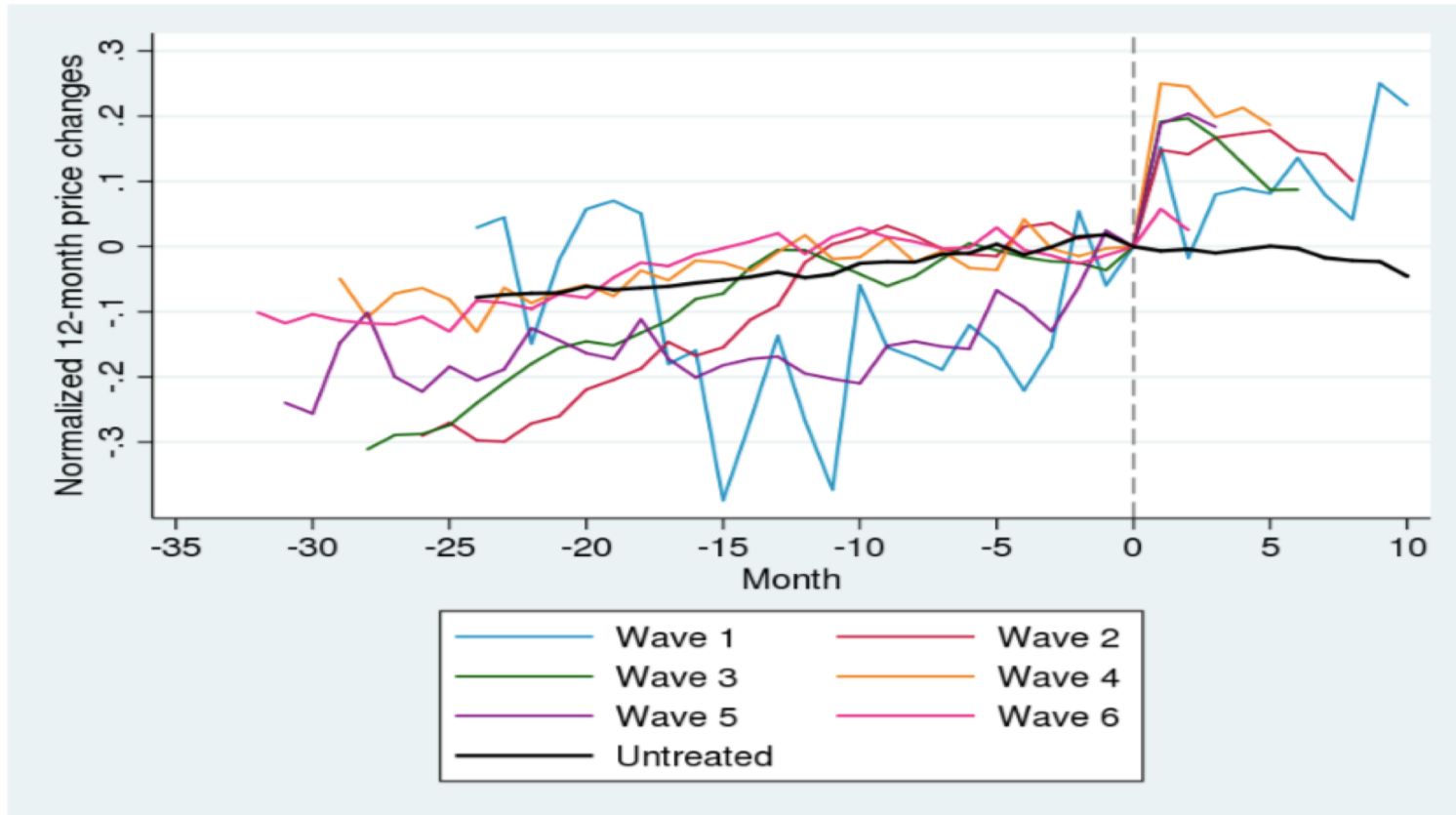
- Two recent studies examine the tariffs of 2018:
 - Amiti, Redding, and Weinstein, “The Impact of the 2018 Trade War on U.S. Prices and Welfare,” CEPR Discussion Paper DP13564, March 1, 2019.
 - Fajgelbaum, Goldberg, Kennedy, and Khandelwal, “The Return to Protectionism,” NBER Working Paper #25638, March 3, 2019.



Source: US Census Bureau; USTR; USITC; authors' calculations.

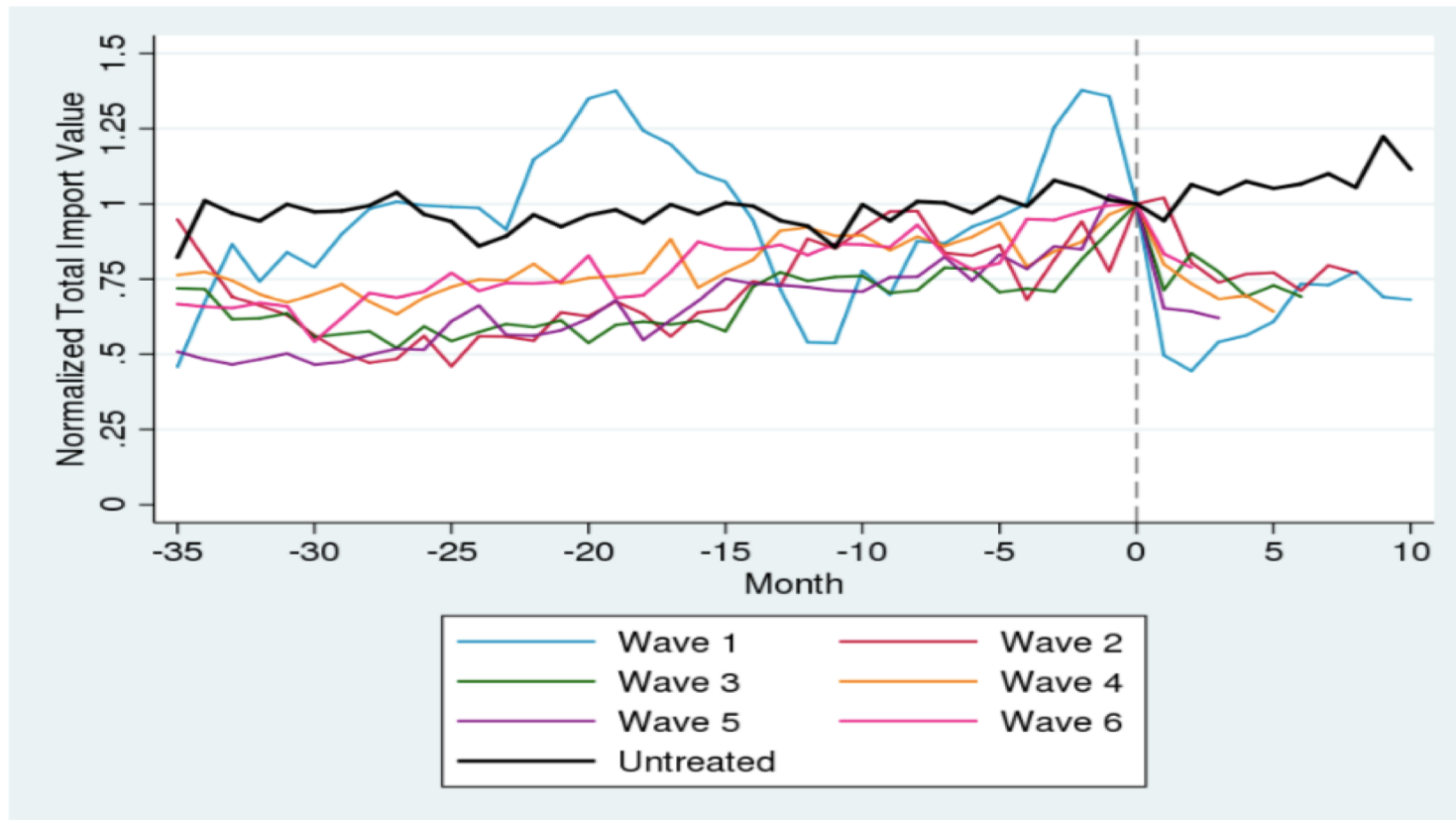
Source: Amiti, et al. 2019.

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



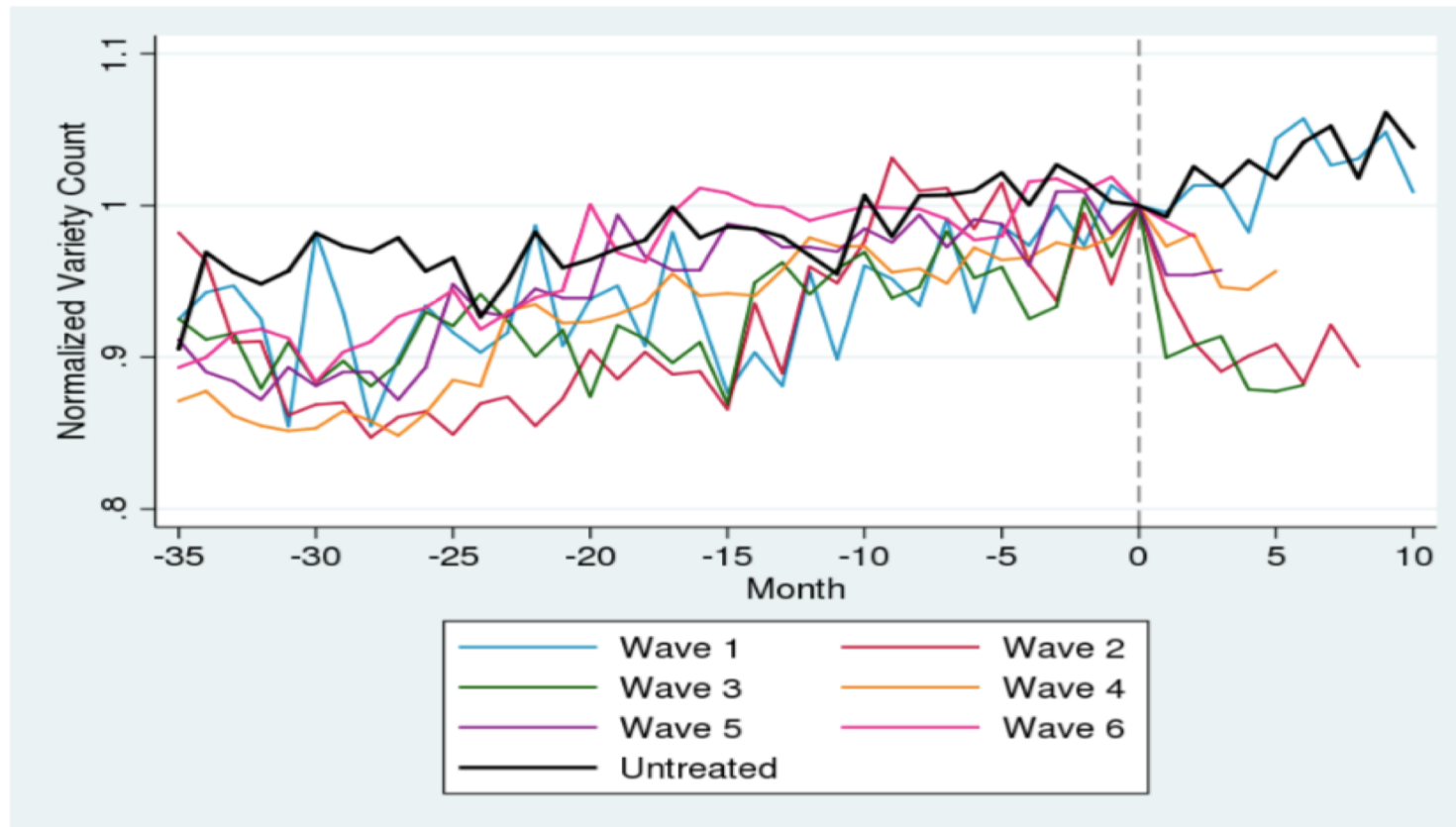
Source: Amiti, et al. 2019.

Figure 4: Total Import Values by Tariff Wave



Source: Amiti, et al. 2019.

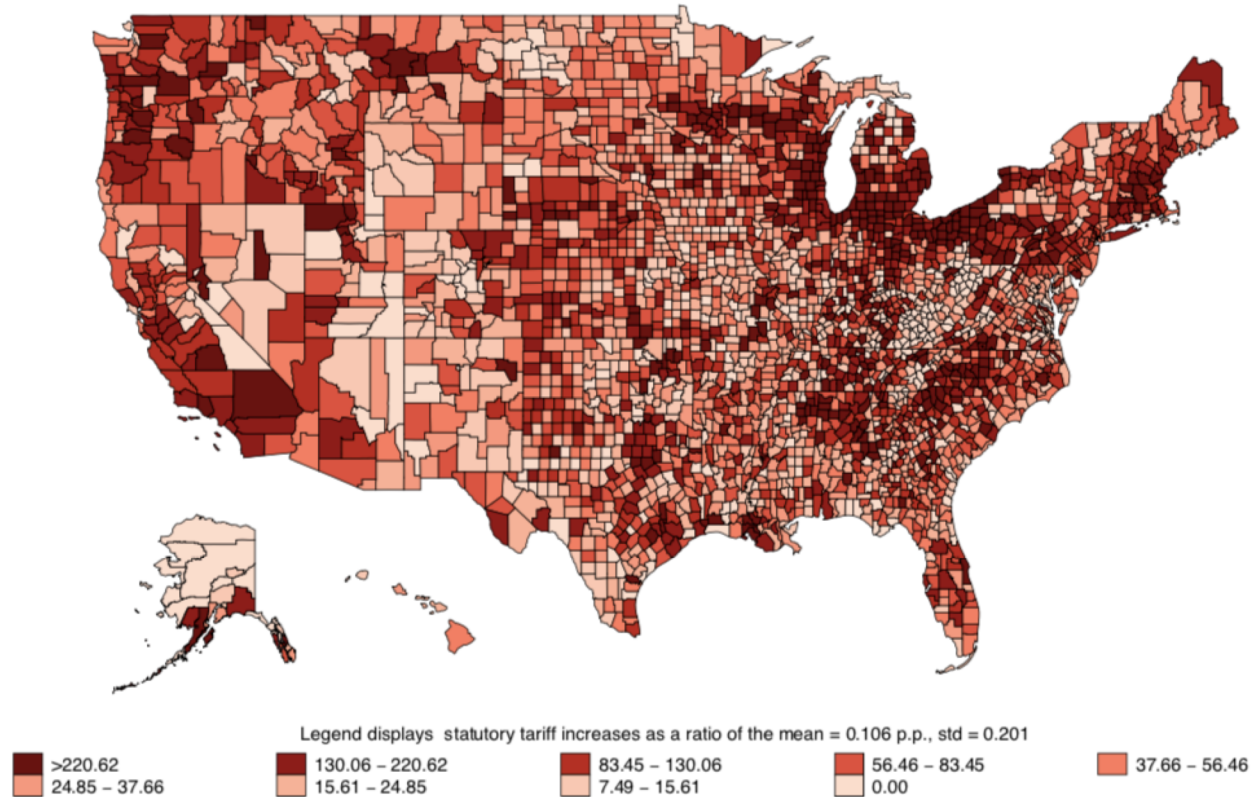
Figure 7: Number of Varieties by Tariff Wave



Source: Amiti, et al. 2019.

Tariff Increase on US Imports

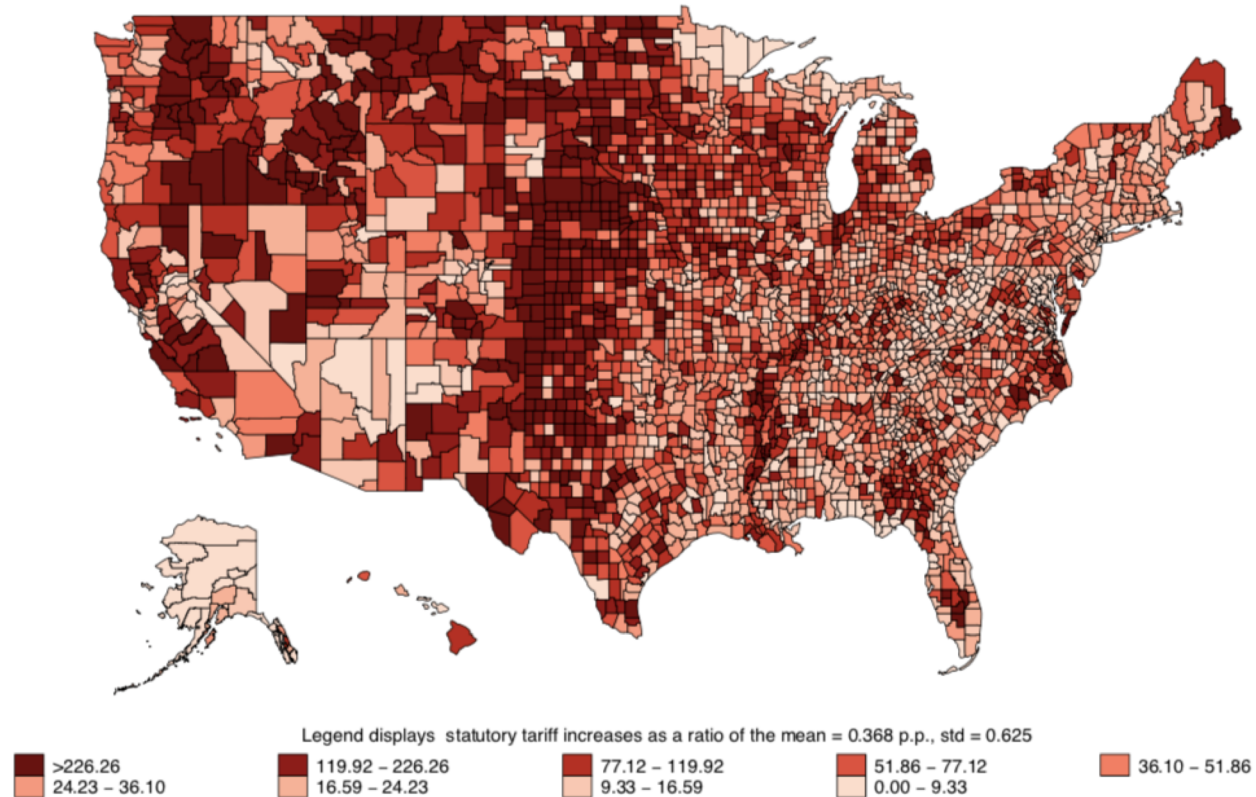
Weighted by Variety-Level US Import Share and County-Level 2016 Total Sector Employee Wage Bill



Source: Fajgelbaum, et al. 2019.

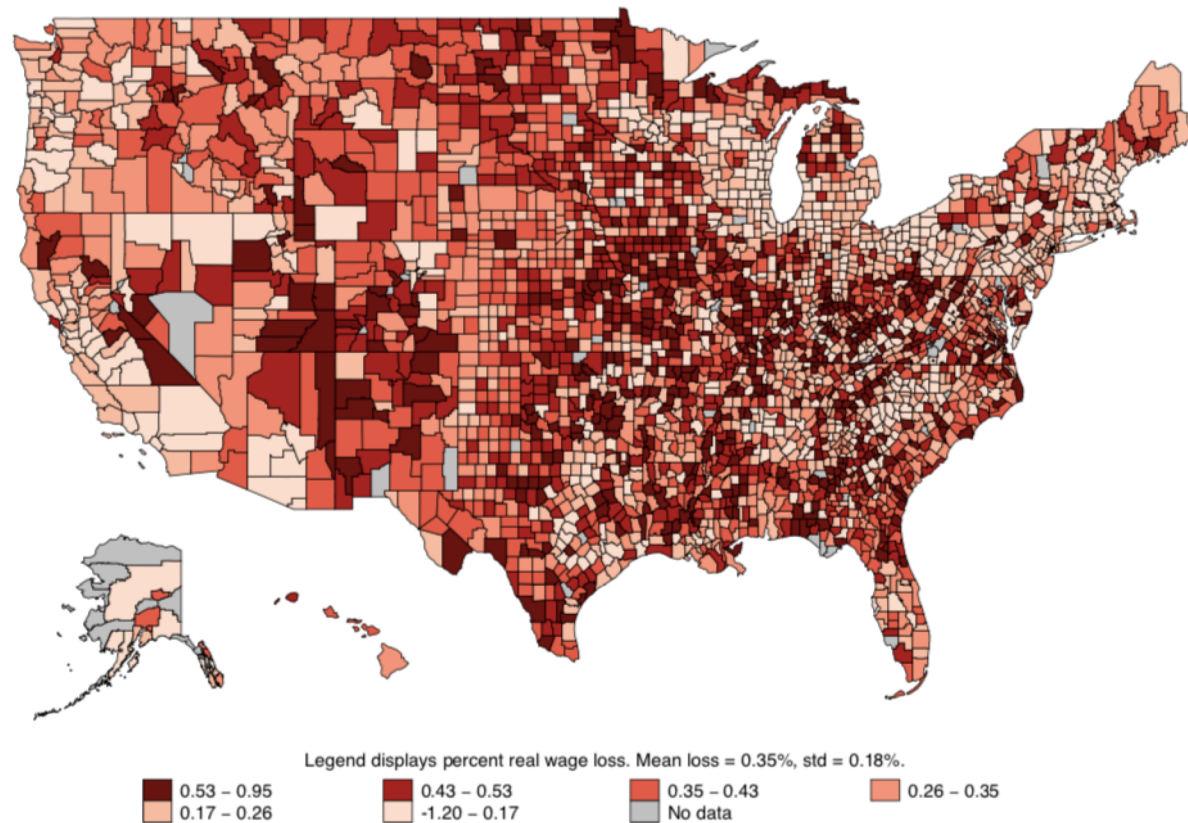
Tariff Increase on US Exports

Weighted by Variety-Level US Export Share and County-Level 2016 Total Sector Employee Wage Bill



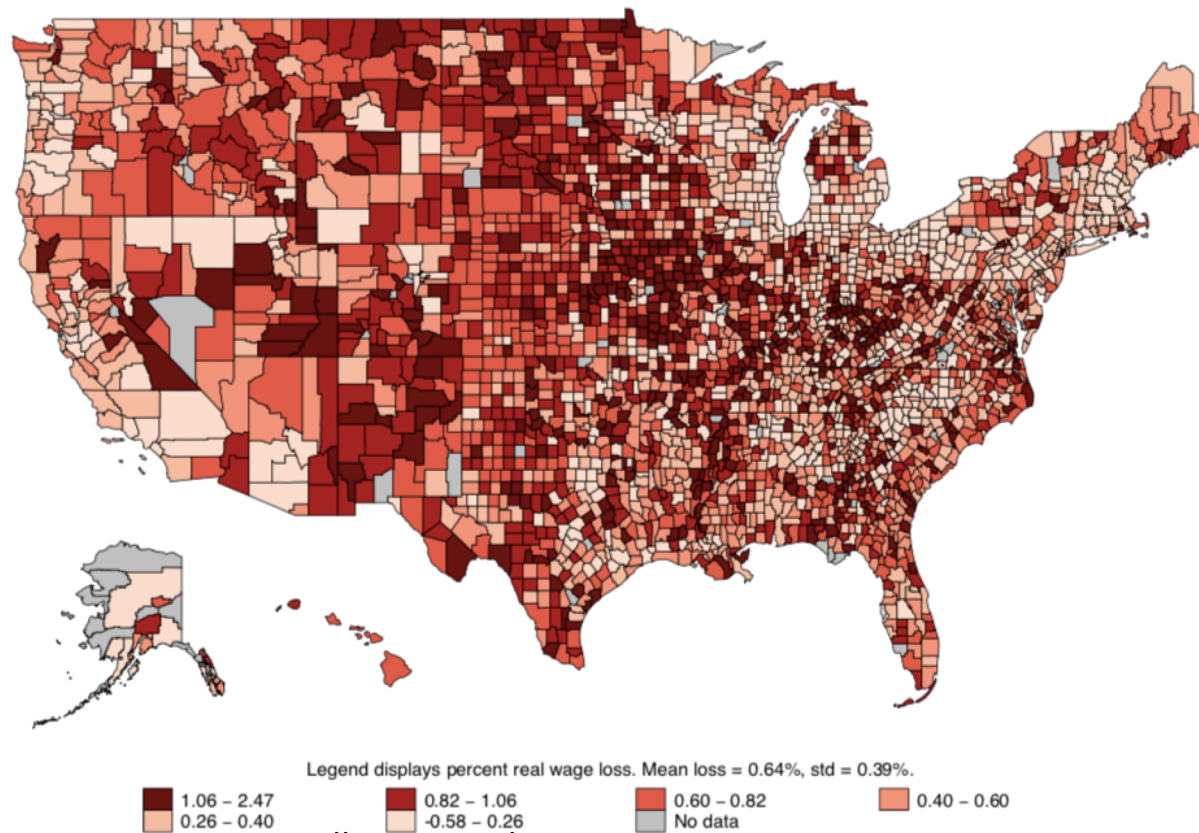
Source: Fajgelbaum, et al. 2019.

Tradable Real Wage Loss from US Tariffs (without retaliation)



Source: Fajgelbaum, et al. 2019.

Tradable Real Wage Loss from Full War



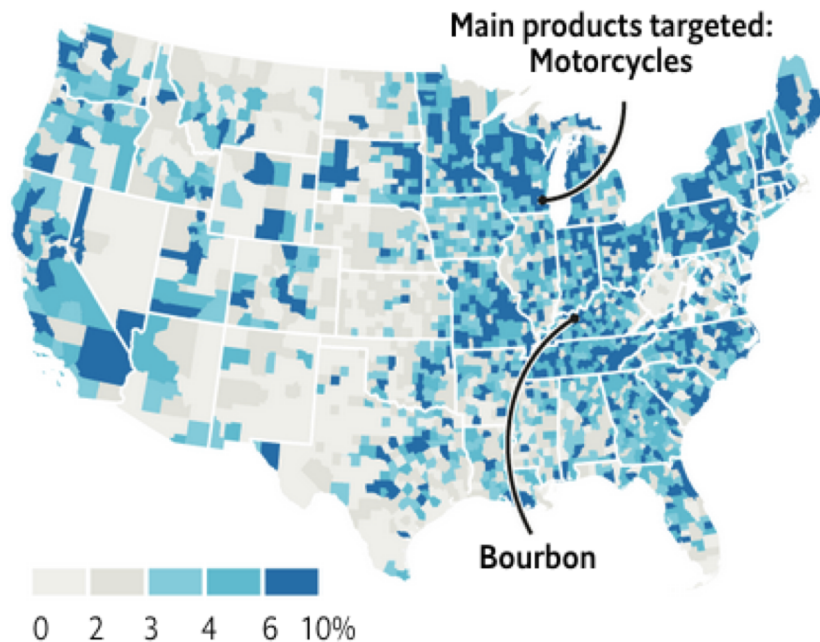
Source: Fajgelbaum, et al. 2019.

Tariff Increases on US Exports: EU vs China

**America's trading rivals have aimed tariffs at Trump voters:
Europe in the Rust Belt, China in the Great Plains**

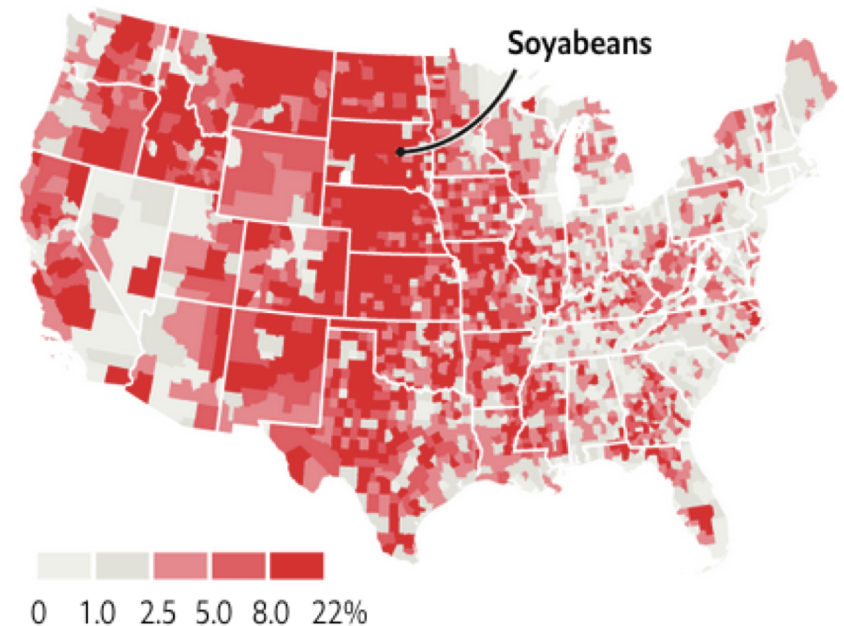
Share of counties' exports affected by retaliatory tariffs, %

The EU's tariffs



Source: *Economist* 4/27/19

China's tariffs



- # Trade Talks
- **China-US Trade Talks, I**
 - Talks began in May 2018, in response to Trump's threat of tariffs
 - China promised to import more from US and allow more foreign investment
 - Said to have “averted trade war”
 - But then talks broke off in early June
 - Trade war with China followed
 - Jul, Aug, Sep 2018

Trade Talks

- **China-US Trade Talks II**

- Oct 2018: US and China postured about renewing trade talks
- Nov 1, 2018: New round of talks began with phone call from Trump to Xi
- Dec 2, 2018: G20 Summit dinner agrees truce: No more tariffs while talks continue
- Talks are still underway, but said to be approaching a deal

Trade Talks: Calendar

- **China-US Trade Talks II: Calendar**

- Nov 9: He & Mnuchin talk by phone
- Jan 7-9: Talks in Beijing
- Jan 30-31: Talks in DC
- Feb 11-15: Talks in Beijing
- Feb 21-24: Talks in DC
- Mar 28-29: Talks in Beijing
- Apr 3-5: Talks in DC
- Apr 23-?: Talks in Beijing
- May 8-10: Talks in DC
- None further yet scheduled

Source:



May 10: Trump

- Raised tariffs on \$200 bn from 10% to 25%
- Began process to impose tariffs on \$300 bn more

China responded by raising tariffs on \$60 bn of US exports

Trade Talks: Headlines

- Nov 29, WSJ: U.S., China Exploring Deal to Ease Trade Tensions
- Dec 4, WSJ: Trump Names Lighthizer to Run U.S.-China Negotiations
- Dec 30, FT: China and US hail 'positive progress' on trade talks
- Jan 7, WP: Trade talks open in Beijing amid optimism about an end to U.S.-China dispute
- Jan 9, FT: China and US strike upbeat tone after talks but offer few details
- Jan 22, FT: US turns down China offer of preparatory trade talks
- Jan 24, FT: US commerce secretary Ross says US 'miles' from a trade deal with China
- Jan 29, WSJ: Big Divides Remain as U.S.-China Trade Talks Resume
- Jan 31, FT: Donald Trump says US-China trade talks 'going well'
- Feb 6, WSJ: Agriculture Execs Say U.S.-China Trade Deal Nearing
- Feb 13, WSJ: China, U.S. Seek Broad Outline of a Trade Pact This Week
- Feb 15, FT: US-China trade talks end with little sign of progress
- Feb 16, WSJ: Chinese, U.S. Trade Negotiators Inch Toward a Broad Agreement
- Feb 21, FT: A potential new snag in the US-China trade talks
- Feb 23, WSJ: China Trade Talks Extended as Trump Pushes to Close the Deal
- Feb 28, WSJ: U.S. Drops Threat of 25% Tariffs on Chinese Goods in Sign That Accord Is Near
- Mar 4, WSJ: U.S., China Close In on Trade Deal
- Mar 8, FT: Trump prepared to walk away from 'bad' China trade deal
- Mar 8, NYT: Chinese Officials Becoming Wary of a Quick Trade Deal
- Mar 18, NYT: Trade Fight With China Enters Overtime, With Tariffs a Costly Sticking Point
- Mar 28, FT: US-China trade talks could stretch for 'months' — Kudlow
- Apr 3, FT: US and China draw closer to final trade agreement
- Apr 4, FT: US and China push back timing of possible trade deal
- Apr 30, WSJ: Mnuchin Suggests China Trade Talks Could Wrap Up by End of Next Week
- May 6, WP: Trump administration accuses Chinese officials of 'reneging' on commitments in trade talks
- May 9, WSJ: China Hardens Trade Stance as Talks Enter New Phase
- May 17 WSJ: China Says It Doesn't Know About U.S. Plans for Beijing Trade Talks

Trade talks: Headline

Trade talks open

Exploring deal

Accord is near

'Miles' from a trade deal

Talks could stretch for 'months'

Trade deal nearing

Little sign of progress

Wrap up by end of week

Trump accuses reneging; China hardens stance

No plans

- Nov 29, WSJ: U.S., China Exploring Deal to Ease Trade Tensions
- Dec 4, WSJ: Trump Names Lighthizer as Trade Representative
- Dec 30, FT: China and US hail 'historic' trade deal
- Jan 7, WP: Trade talks open in new era of U.S.-China dispute
- Jan 9, FT: China offers few details after talks
- Jan 22, FT: Preparatory trade talks
- Jan 24, FT: US says 'miles' from a trade deal
- Jan 29, WSJ: Big Divides Remain as China Trade Talks Resume
- Jan 31, FT: Trade talks 'going well'
- Feb 6, WSJ: China Trade Deal Nearing
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- Feb 15, FT: US-China trade talks end with little sign of progress
- Feb 16, WSJ: China Trade Agreement
- Feb 21, FT: A potential trade deal
- Feb 23, WSJ: China hardens the Deal
- Feb 28, WSJ: U.S. Drops Threat of 25% Tariffs on Chinese Goods in Sign That Accord Is Near
- Mar 4, WSJ: U.S., China Close In on Trade Deal
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Trade Talks: Issues

- **China-US Trade: Issues of Negotiation**
 - Government subsidies to state-owned companies
 - Chinese purchases of U.S. farm and energy products and services
 - China's market-opening efforts in sectors such as financial services and manufacturing
 - Improving its protection of U.S. intellectual-property rights
 - Pressure on U.S. companies to share technology
 - Industrial policies that favor state-controlled companies
 - Currency stability
 - Regulatory relief for foreign companies in China
 - How to enforce any agreements on the above
 - Reimpose tariffs, or
 - Leave them in place

Trade Talks

- **What Might a China-US Trade Deal Include?**
 - US wants (per FT, 3/25/19):
 - Huge Chinese purchases of US exports, to reduce US trade deficit
 - Liberalization of market access for US goods and services
 - Reform of Chinese industrial policy, especially “forced transfers” of IP
 - US permitted to use punitive tariffs if these are violated, without China retaliating or complaining to WTO
 - China wants:
 - Removal of US tariffs

That's it, for now.

Questions?