

Trade Update



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A Crowded Trade Agenda

- 1) U.S.-China
- 2) Tariffs on Steel, Aluminum
- 3) Tariffs on Autos
- 4) NAFTA ► USMCA
- 5) Other Issues



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1) U.S.-China

- Broad agreement on diagnosis: Concerns about China's tech transfer, IP, and industrial policies
- Broad opposition to tariffs as a remedy
 - ✓ 25% tariff on \$50 billion of imports on 7/6, 8/23
 - ✓ Another \$200 billion on 9/24
 - ✓ Tariff rate increase from 10% to 25% on March 1?



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Predictions

- Negotiations will go up to the 3/1 deadline; Trump and Xi may meet after
- Possible deal: A mix of sales (soybeans, etc.) and some reforms
- Will current tariffs be ended?
- Failure remains an option, as does extension



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2) Tariffs on Steel, Aluminum

- 25% on steel, 10% on aluminum
 - ✓ Lost competitiveness for U.S. manufacturing
 - ✓ Foreign retaliation on \$40 billion of U.S. exports
 - ✓ Product exclusion process
- Canada and Mexico: Threshold issue for USMCA, but talks seem on hold



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3) Tariffs on Autos, Auto Parts

- A looming threat: Report due by 2/17; 25% tariff threatened
- Would hit \$350 billion in auto, auto parts trade
 - ✓ "Every state an auto state"
- >700,000 U.S. jobs at risk; \$4,000 per car price hike
- POTUS is invested in the idea; next steps unclear



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4) NAFTA ► USMCA

- **JOBS:** 11 million American jobs
- **MANUFACTURING:** More U.S.-made manufactured goods than next 10 largest markets combined
- **AGRICULTURE:** Even more important



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USMCA: Outlook

- Draft SAA to Congress this month?
- Window for a vote in April - August
- Several dozen House Democratic votes needed
 - *Demands on labor enforcement; what else?*
- Overall political environment
 - *Can it be overcome to permit bipartisan cooperation?*



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5) Other Issues

- Trade negotiations with Japan, EU, UK
- Reciprocal Trade Act
- Bicameral Congressional Trade Authority Act
- Trade Security Act



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