

The U.S. – China Trade War November 2018



The Trump Administration wants to fix China's unfair trade practices with the U.S. The Administration is concerned that China is violating intellectual property rights and imposes high tariffs on American goods being imported.

As per Section 301 of the Trade Act of 1974, this Act authorizes the President to make the necessary arrangements, including retribution, to obtain the elimination of any policy, act or practice of any foreign government that violates an international trade agreement or is not reasonable, unjustified or discriminatory, which restricts or hampers U.S. commerce.

Section 301 gives the President the authority to impose fines to a trading foreign country, if there is evidence or beliefs that unfair trade practices are harming U.S. business interests,

The U.S. filed a request to the World Trade Organization, with concerns that China is violating intellectual property rights. The Trump Administration suspects that there are certain laws in China that offset intellectual property rights by obligating foreign entities to engage in joint ventures with companies in China, providing the China partnering-company access and permission to use, improve or reproduce their technologies. Additionally, the U.S. states that the Chinese government is not in compliance in recognizing legitimate patents and that their policies discriminate against foreign imported technology. The Trump Administration suspects that this is costing the U.S. \$200 - \$500 billion dollars per year.

Additionally, the Trump Administration believes that increase tariffs on U.S. imports from China are necessary to protect intellectual property of U.S. companies and to help in reducing the U.S. trade deficit with China; as of July 2018, the current trade deficit is stated to be + \$200 billion, according to the U.S. Census Bureau.



President Trump is committed to lower the trade deficit with China. On March 1, 2018, he announced he would impose a 25 percent tariff on steel imports and a 10 percent tariff on aluminum. On July 6, Trump's tariffs went into effect for \$34 billion of Chinese imports. China canceled all import contracts for soybeans.

One-sided deal? U.S.-China trade in 2017

China runs up huge surpluses in tech, manufacturing

U.S. deficits with China, in billions



**U.S. goods deficit
with China in 2017:
\$375.2 billion**

U.S. surpluses with China, in billions



Source: U.S. Census

Trump's tariffs have raised the costs of imported steel, most of which is from China. Trump's move comes a month after he imposed tariffs and quotas on imported solar panels and washing machines. China has become a global leader in solar panel production. The tariffs depressed the stock market when they were announced.

On January of this year, the Trump Administration placed a 30% tariff on solar panels manufactured abroad; to be reduced to 15% after four years. China is the world leader in solar panel manufacture. Also, in January, 20% tariffs were placed on washing machines for the first 1.2 million units imported during the year. In 2016, China exported + \$400 million worth of washing machines. Trump stated that the U.S. will impose a 25% tariff on \$50 billion of Chinese exports, some tariffs already in effect. An additional 10% tariffs were imposed on another \$200 billion worth of Chinese imports

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American tariffs on \$34 billion of Chinese goods came into effect on July 6, 2018. Effective August 23rd, 279 Chinese goods worth \$16 Billion are now subject to a 25% tariff.

On September 24th, a 10% tariff was on \$200 billion worth of Chinese goods, increasing to 25% by the end of the year.

Many government and industry experts believe that the new imposed increased tariffs by the Trump Administration are not unfair, but just leveling the playing field. Most countries have a 25% VAT (Value-Added Tax) on products imported from the U.S. Therefore, the new 25% tariffs on imports to the U.S. makes it fair for the U.S. Other experts have stated that China has robbed us of U.S. intellectual property, which has provided China with U.S. advanced technology. China forces U.S. firms that want to do business there into transferring its confidential technology and trade secrets, before having access to the Chinese market.

Other industry believe that the new imposed tariffs are not the final goal, but a tool to end trade practices that generally eliminate American manufacturing & jobs.

For current import duty rates on products being imported to the U.S., please contact us for the updated tariffs.

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