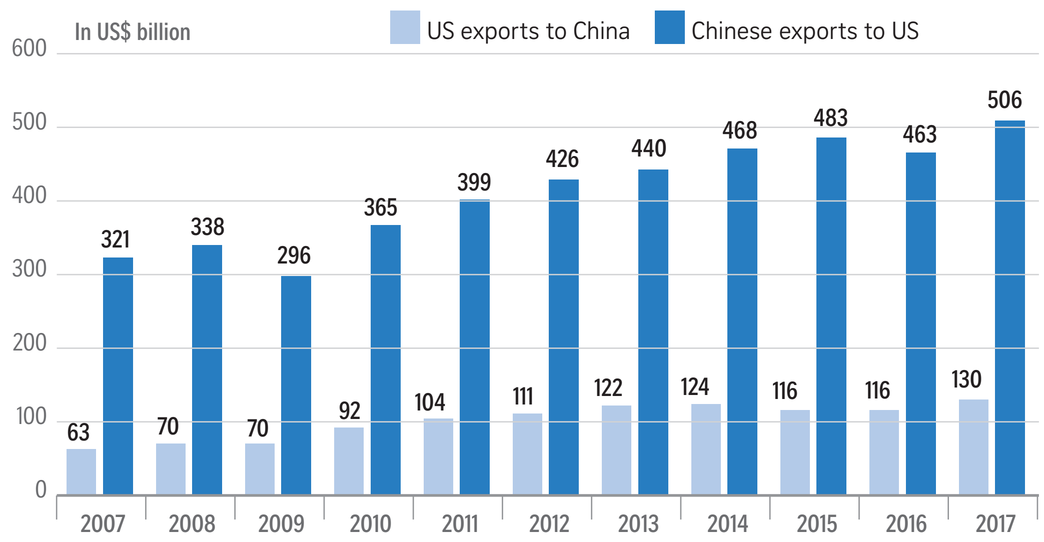
Trump trade offensive

The US-China trade spat is the largest and broadest of several trade fights picked by US President Donald Trump for his "America First" agenda. Here is a summary of the multi-front trade conflicts.

CHINA

- The United States on July 6 imposed 25 per cent tariffs on US$34 billion (S$46 billion) worth of Chinese mechanical and technological products, including aircraft parts and computer hard drives. A second round of tariffs on US$16 billion of Chinese goods – mainly energy, plastics and chemicals – is under review.
- Beijing immediately retaliated with tariffs on US$34 billion of US goods, largely agricultural products.
- On July 10, the US announced a list of another US$200 billion of Chinese goods that will be targeted for 10 per cent tariffs as soon as September. They include fish, grains, luggage, plywood, carpets, ceramics and glass.
- On July 20, Mr Trump warned he could ratchet his measures up to US$500 billion of Chinese imports – all of what China sells to the US in a year – if Beijing continues to retaliate.
- Beijing on July 6 and July 16 filed separate complaints with the World Trade Organisation (WTO) against the US actions. Washington also filed a WTO complaint on July 16 against the retaliation by China and others including the European Union, Canada and Mexico.

China-US trade in goods



2017 trade highlights

China bought from US

- Boeing jets and other aviation equipment, valued at US$16.3 billion
- Soya beans (US$12.4 billion)
- New and used cars (US$10.5 billion)

US bought from China

- Mobile phones (US$70.4 billion)
- Toys and games (US$26.8 billion)
- Clothing (US$24.1 billion)

EUROPEAN UNION

- On June 1, the US imposed tariffs of 25 per cent on steel and 10 per cent on aluminium from the EU, Canada and Mexico.
- On June 22, the EU retaliated with tariffs on €2.8 billion (S$4.5 billion) of US goods. The EU tariffs cover about 200 categories, including 25 per cent duties on Harley-Davidson motorbikes, Levi's jeans and bourbon.
- Mr Trump then threatened 20 per cent tariffs on cars imported from the bloc unless it removes import duties and other barriers to US goods.

CANADA

- Hit by the US steel and aluminium tariffs, Canada, a member of the North American Free Trade Agreement (Nafta), on July 1 slapped levies on as much as C$16.6 billion (S$17.2 billion) of US imports, with 25 per cent tariffs on steel and 10 per cent on aluminium. Other US imports, such as ketchup and pizza, face 10 per cent tariffs.

MEXICO

- On June 5, Mexico, another Nafta member, retaliated by imposing tariffs on selected US goods, including 20 per cent on US pork legs and shoulders, apples and potatoes, and 20-25 per cent on some types of cheese and bourbon.
- A net importer of US steel, Mexico also slapped 25 per cent tariffs on a range of US steel products.

JAPAN

- Japan informed the WTO in May that it may impose at least US$264 million of tariffs on US goods in retaliation for Mr Trump's tariffs on steel and aluminium imports.
- Japan's Trade Minister Hiroshige Seko said on July 18 that the country has not acted against the US as "no real effects have emerged from the steel and aluminium tariffs".

INDIA

- India said it will impose retaliatory tariffs on 29 US products worth US$235 million from Aug 4. The goods include walnuts, apples and some chemical products.

RUSSIA

- Also hit by the US steel and aluminium tariffs, Russia on July 6 decided to impose 25-40 per cent extra duties on some US imports, including equipment used in construction, oil and gas.

Sources:
AGENCE FRANCE-PRESSE, BBC, BLOOMBERG, INTERNATIONAL MONETARY FUND, NYTIMES, REUTERS, WORLD TRADE ORGANISATION

PHOTOS: BLOOMBERG

STRAITS TIMES GRAPHICS

FAR LEFT: A worker inspects bound aluminium ingots stacked in an aluminium processing plant in Komarom, Hungary.

BELOW: Containers sit stacked next to gantry cranes in Shanghai, China.

Q&A

Q: What is a trade war?
A: A trade war happens when countries try to attack one another's trade with taxes and quotas. One country would impose new tariffs or raise existing tariffs on the goods imported from another country, causing the other to retaliate.

Q: What is a tariff?
A: A tariff is a tax on a product made overseas. Putting a tariff on an imported product makes it more expensive and hence would discourage people or companies from buying it. As a result, they would turn to cheaper local goods, and this boosts the country's economy.

Q: What are non-tariff barriers?
A: Besides tariffs, countries could also turn to measures that are not based on tariffs but could still hinder trade. Non-tariff barriers typically involve bureaucratic or legal issues, such as quotas, restrictions on import licensing and foreign exchange, additional rules for the valuation of goods at customs, and lengthy procedures for clearance of goods at customs.

Q: What is currency manipulation?
A: Politicians like to bandy about the phrase "currency manipulation" when they feel that another country has developed an unfair trade advantage by way of an artificially weak exchange rate. The claim is that this would make a country's exports cheaper on the world market and make imports more expensive.

According to Associate Professor Robert Kimmel of NUS Business School, currency manipulation is a term that is often used in the political discourse of countries with substantial trade deficits. The US even goes so far as to produce a biannual report identifying which countries are currency manipulators.

Mr Trump has accused China and the EU of "manipulating their currencies and interest rates lower". The comments came after the yuan plunged to its lowest level in a year, with little sign of China's central bank intervening to stem the slide. They also follow a decline in the euro this year.

By the numbers

Currently announced tariffs would reduce global economic output by

US$430 billion

or half a per cent, in 2020, if they remain in place and shake investor confidence

The US would be hardest hit in a trade war, with output in the world's biggest economy

0.8% lower

a year into the conflict

Emerging markets in Asia would take the next biggest hit, with gross domestic product slipping by

0.7% in the second year into the conflict