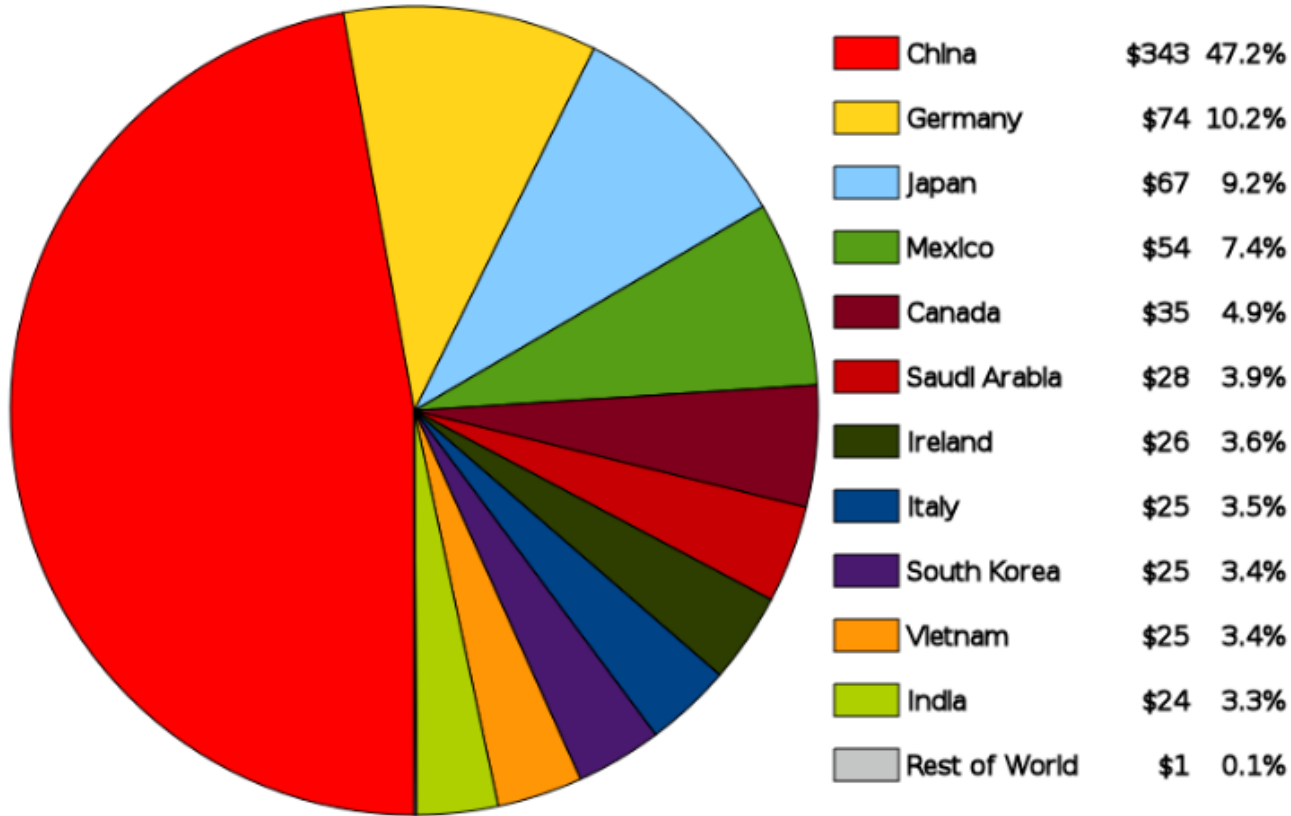


Trade War and Brexit (Update)

Assoc.Dr.Prof Somjai Phagapasvivat



US Balance of Trade Deficit (2014)



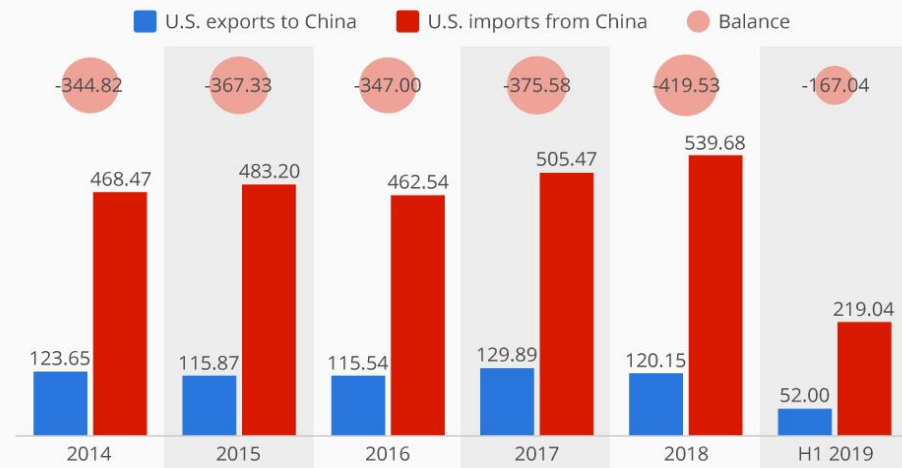
- U.S. trade deficit (in billions, goods and services) by country in 2014

Chronology (2018)

- January 22: Trump announced tariffs on solar panels and washing machines. About 8% of American solar panel imports in 2017 came from China. Imports of washing machines from China amounted to US\$1.1 billion in 2015.
- March 1: Trump announced steel and aluminum tariffs of 25% and 10% on imports from all countries. US imported about 3% of its steel from China.
- March 22: Trump asked USTR to investigate applying tariffs on US\$50-60 billion worth of Chinese goods. He relied on Section 301 of the Trade Act 1974 against unfair trade practice of China over the years.

The U.S.-China Trade Deficit is Growing

U.S. trade balance with China from 2014 to July 2019 (in billion U.S. dollars)



@StatistaCharts

Source: United States Census Bureau

statista

Chronology (2018 continued)

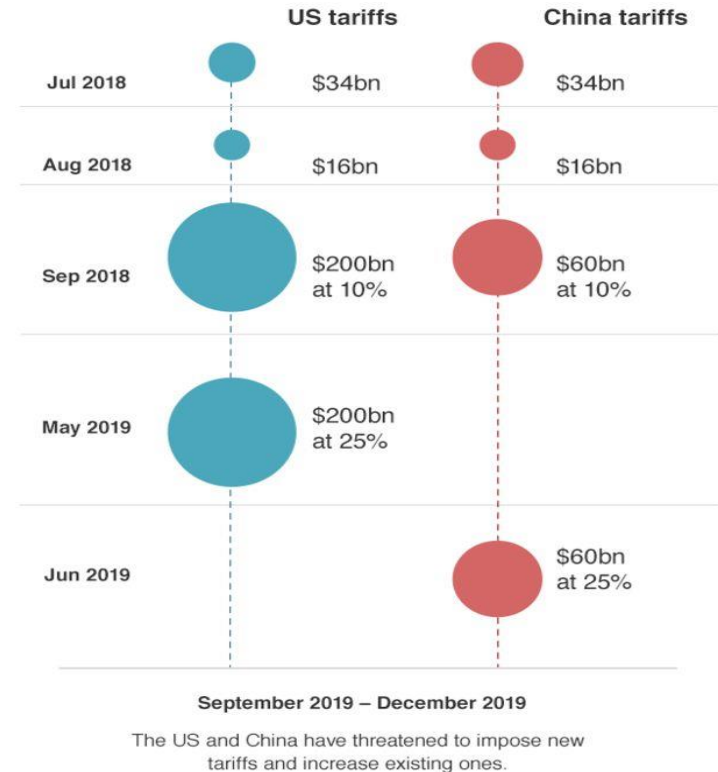
- April 2: China retaliated by imposing tariffs on 128 products imported from America, including aluminum, airplanes, cars, pork and soybeans (25% tariffs) as well as fruits, nuts and steel piping (15%)
- May 29: The White House announced that it would impose a 25% tariffs on US\$50 billion of Chinese goods with industrially significant technology on June 15.
- June 15: Trump announced that the US would impose a 25% tariff on US\$50 billion of Chinese exports.
 - US\$34 billion would start July 6 with a further US\$16 billion to begin at a later date.
 - China said it would respond in kind with similar tariffs for US imports, starting on July 6.



Chronology (2018 continued)

- June 18: The White House declared that the US would impose additional 10% tariffs on another US\$200 billion worth of Chinese imports if China retaliated.
- June 19: China retaliated with tariffs on US\$50 billion of US goods.
- July 6: American tariffs on US\$34 billion of Chinese goods came into effect. China retaliated with the same value.
- August 23: US imposed a 25% of Chinese goods, worth US\$16 billion. China imposed 25% tariffs on US\$16 billion imports from US, which was implemented in parallel with the US on August 23.

How the US-China trade war has escalated



Chronology (2018 continued)

- September 17: The US announced a 10% tariff on US\$200 billion worth of Chinese goods that would take effect on September 24, and would increase to 25% by the end of the year.
 - They also threatened tariffs on an additional US\$267 billion worth of imports if China retaliates.
- September 18: China promptly retaliated with 10% tariffs on US\$60 billion of US imports



Chronology (2018 Continued)

- December 1: During G20 Summit Meeting in Buenos Aires, Argentina.
 - The White House postponed the planned increase, citing that both sides are being in negotiations on structural changes with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusion and cyber thefts. According to the Trump Administration if at the end of 90 days, the parties are unable to reach an agreement, the 10% tariffs on US\$200 billion imports from China will increase to 25%, that will be on March 1, 2020.
- In 2018, US imposed tariffs on the total of Chinese imports of US\$250 billion while China imposed only US\$110 billion



Chronology (2019)

- May 10: US raised the tariffs levied on US\$200 billion from 10% to 25%
- May 15: Trump signed executive order, seeking to restrict the export of US information and communication technology to foreign adversaries under national security grounds.
- June 1: China announced it would raise tariffs on US\$60 billion of US goods
- June 29: During the G20 Osaka summit, Trump announced that he and Xi Jinping agreed to a truce in the trade war. No future tariffs are to be enacted. Additionally, Trump said he would allow American companies to sell their products to Huawei but the company would remain on the US blacklist.

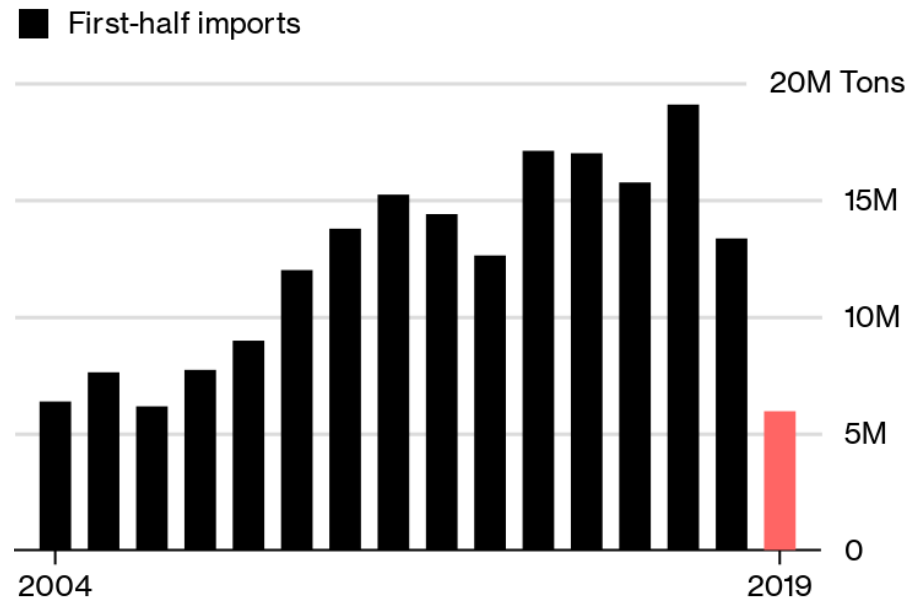


Chronology (2019 continued)

- July 17: China announced an accelerated decrease in holdings of US treasury holdings, targeting 25% of its current holdings of US\$1.1 trillion.
- August 1: Trump announced that additional 10% tariff will be levied on the remaining US\$300 billion of goods.
- August 5: The central bank of China let the Renminbi fall over 2% in three days to the lowest point since 2008.
- August 5: The US Department of Treasury officially declared China as a Currency Manipulator.
- August 5: China ordered stated-owned enterprises to stop buying US agricultural products, totaling US\$20 billion per year before the trade war.

Shrinking Soy

China's imports of U.S. soybeans dropped to lowest since at least 2004

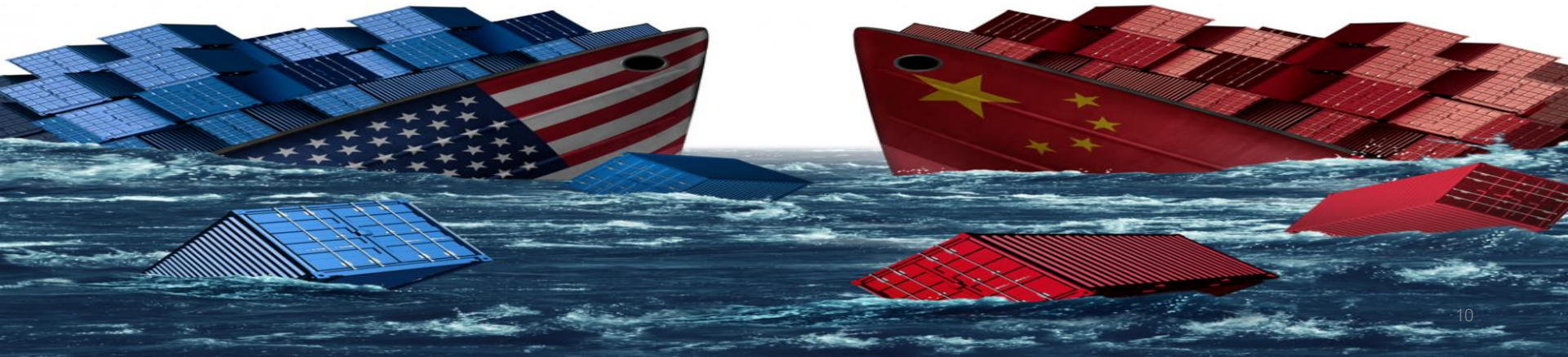


Source: China's General Administration of Customs

Bloomberg

Chronology (2019 continued)

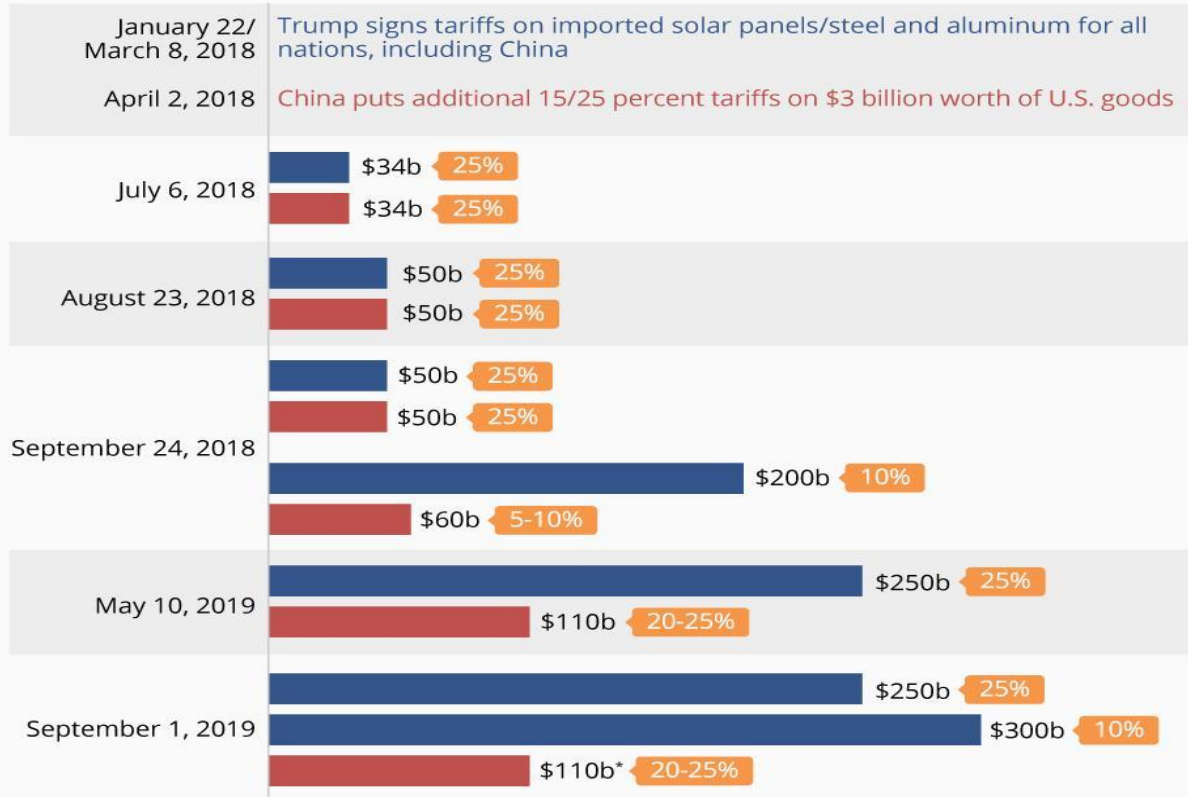
- August 13: Trump delayed some of the tariffs. US\$112 billion worth will still take place on September 1 and another US\$160 billion will not take effect until December 15. Trump and his advisors conceded the tariffs were postponed to avoid harming American consumers during Christmas shopping season.
- August 23: Chinese Ministry of Finance announced new rounds of retaliative tariffs on US\$75 billion worth of US goods, effective beginning September 1.
- August 23: Trump tweeted that he hereby ordered American companies to immediately start looking for an alternative to China.
- Furthermore, tariffs are to be raised from 25% to 30% on the existing US\$250 billion worth of Chinese goods beginning on October 1, 2019 and from 10% to 15% on the remaining US\$300 billion beginnings on December 15.



How the U.S.-China Trade War Escalated

Cumulative tariffs between the U.S. and China in 2018/19

■ U.S. tariff action ■ Chinese tariff action ● Tariff rate



Chronology (2019 continued)

- September 1: New US and Chinese tariffs previously announced went into effect. China imposed 5-10% tariffs on one third of the 5,078 goods imported from America, with tariffs on the remainder scheduled for December 15. The US imposed new 15% tariffs on about US\$112 billion of Chinese imports or two-thirds of consumer goods imported from China subject to tariffs.
- September 11: After China announced it was exempting 16 American product types from tariffs for one year, Trump announced he would delay until October 15 a tariff increase on Chinese goods previously scheduled for October 1.



Chronology (2019 continued)

- October 7: Citing human rights issues, the US Department of Commerce puts 20 Chinese public security bureaus and 8 high tech companies, such as HikVision, SenseTime and Megvii, on the Export Administration Regulations entities blacklist like Huawei. As such, the entities will need US government approval before they can purchase components from US companies.
- October 11: Trump announced that China and the US had reached a tentative agreement for the first phase of a trade deal, with China agreeing to buy up to US\$50 billion in American farm products, and to accept more American financial services in their market, with the US agreeing to suspend new tariffs scheduled for October 15. The deal was expected to be finalized in coming weeks.

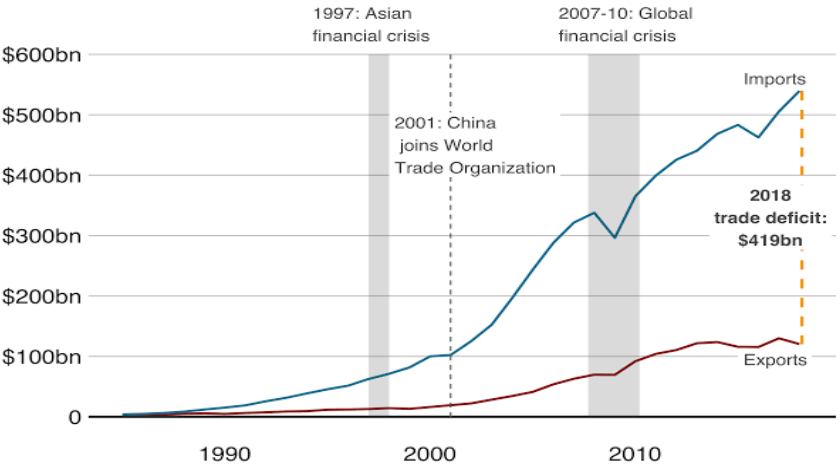


Chinese Vice-Premier Liu He sitting across a desk from US President Donald Trump in the Oval Office on Oct 11, 2019.
PHOTO: REUTERS

- In 2018, the bilateral trade of goods was US\$659.8 billion in total. Exports from China to US was US\$120.3 billion while goods imports from US was US\$539.5 billion. The US goods trade deficits with China was US\$419.2 billion. The overall trade deficit in goods of US in 2018 was US\$621 billion.

US trade with China

US trade deficit with China has soared since 1985

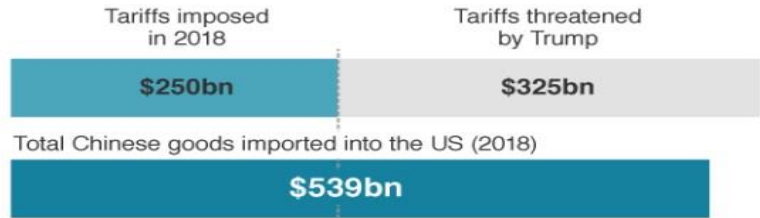


Source: US Census

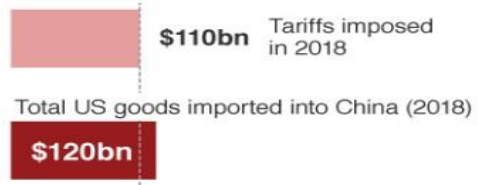


How the trade war has played out

US tariffs on China



Chinese tariffs on US



Source: US Census Bureau, BBC research. Note: Data as of 8 May 2019



Brexit



- In November 2018, The British Prime Minister Theresa May concluded an agreement with the EU. The agreement is made up of two documents:
- The first is a legally binding agreement whereby:
 1. The British government will compensate financially for the cost of exit, amounting to 39 billion euro.
 2. UK will accept citizens right
 3. There will be a backstop for the Irish issue.



- The second document is not legally binding but a declaration on the future relationship between U.K. and EU. It was agreed that once completing the British exit, the British government will hold talks with EU counterpart to agree upon the type of relationship between U.K. and EU. The agreement must be concluded by the end of 2020 or extending to 2022 as maximum timeline.
- In case no agreement is made, UK will remain in a temporary customs union with EU until a solution for solving the backstop is found.



- The agreement made in November 2018 failed to be approved by the House of Commons three times and finally resulted in the forced resignation of Theresa May.
- The final act of Theresa May is to get the approval of EU for postponing the timeline for Brexit from March to October 2019.



- The future relationship between U.K. and EU will range from:

1. No deal or hard Brexit
2. Free trade area Canadian type
3. Customs union
4. Single market Norway type



- However, with Boris Johnson as new British Prime Minister, the odds are high that U.K. could opt for free trade area. Or it could lead to second referendum or new election

