



SCARBROUGH

THE "TRADE WAR" OF 2018
AN EXPLANATION OF RECENT TARIFFS

**TRADE€
WARS\$**

July 27, 2018

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THE SCARBROUGH GROUP

Freight Forwarding &
U.S. Customs Brokerage



1984

NVOCC Operations &
Consolidation Services



2003

Freight Forwarding &
Mexico Customs Brokerage



2015

1988



Regional Asset-Based Trucks

2014



North American Truck Brokerage

2018



Customs & Supply Chain Consulting



ABOUT THE SPEAKER



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BACKGROUND



- “Putting America First” 2016 Pres Campaign promise
 - Fair, bilateral trade to bring jobs and industry back to American shores
- U.S. withdraws from TPP 3 days into the new Administration
- NAFTA 2.0 Negotiations
- Contract with the American Voter
 - Impose Tariffs to discourage companies from relocating to other countries and laying off workers
- Reduce Trade Imbalance, Trade Deficit



SECTION 232 TARIFFS

STEEL AND ALUMINUM

Imported from all countries except
South Korea, Argentina, Brazil, Australia and now European Union

Effective June 1, 2018

- Imports of Steel, Additional 25%
- Imports of Aluminum, Additional 10%
- Includes largest trade partners
- U.S. Steel Demand
 - Canada 16%, Brazil 13%, South Korea 10%, Mexico 9%, China 2%
- Legal Basis: Trade Expansion Act of 1962
 - Threatens or impair National Security



SECTION 301 TARIFFS

IMPORTS FROM CHINA

List 1

Effective 7.6.2018

- Duty Rate = 25%
- \$34 Billion Value
- Industrial machinery, robotics, automobiles, aerospace

List 2

Effective TBA

- Duty Rate = 25%
- \$16 Billion Value
- Industrial significant technologies, non-consumer goods

List 3

Under Public Review

- Duty Rate = 10%
- \$200 Billion Value
- 800+ products; large amount of consumer goods

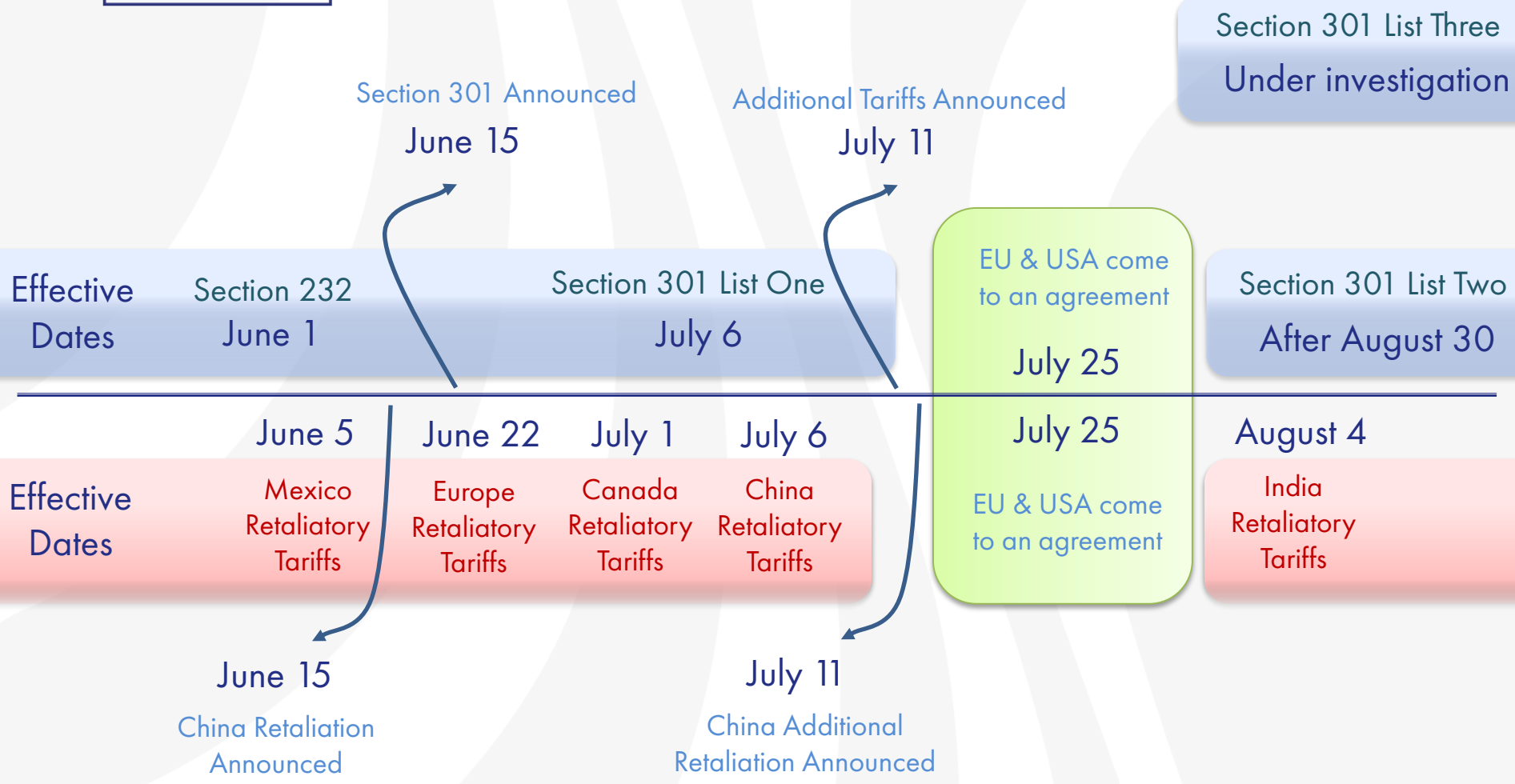


BACKGROUND ON SECTION 301

- Made in China 2025
 - Global Leader initiative: Artificial Intelligence, Electric Vehicles, Aviation, IT & Robotics
 - Chinese companies more competitive & self-sufficient
 - Completely upgrade Chinese Industry
- Theft of Intellectual Property (USTR Investigation)
- Use of preferential policies to unfairly bolster Chinese firms
- Competes with Made in America



TARIFF TIMELINE





RETALIATORY TARIFFS: U.S. EXPORTS

Mexico

- Effective 6/5/2018
- Duty Rate: 15%, 20% and 25%
- \$3 Billion Value
- Includes but not limited to: Steel, Pork, Cheese, Whiskey, Ham, Apples
- New President Obrador inauguration 12/1/18

European Union

- Effective 6/22/2018
- Duty Rate: ranges from 10%, 25% and 50%
- €2.8 Billion Value
- Includes but not limited to: Corn, Grain, Orange Juice, Tobacco, Whiskey, Motor Vehicles, Motorcycles

7/25/2018

- **Trump Says EU and US to 'Resolve' Steel and Aluminum Tariffs.**
- **No additional tariffs placed on EU as of this date.**



RETALIATORY TARIFFS- US EXPORTS

Canada

- Effective Date: 7/1/2018
- Duty Rate: 10% and 25%
- \$13 Billion value
- Dollar for Dollar match: Aluminum, Whiskey, Lawnmowers, Yogurt

China

- Effective Date: 7/6/2018
- Duty Rate: 25%
- \$34 Billion value
- Agriculture: Soybeans, Corn, Wheat, Cotton, Sorghum Beef, Pork, Fish

India

- Effective Date: 8/4/2018
- Duty Rate: 50%
- \$241 Million
- Almonds, Motorcycles, Apples, Metals



TRADE ANALYSIS

- Initiative of Global Markets
 - None believed would benefit the US Economy or improve Americans' well-being
 - Estimated loss of 146,000 jobs as price of steel increases
 - U.S. Manufacturing jobs that use steel *outnumber* the U.S. Steel producer jobs 80 to 1
 - Study does not include retaliatory tariffs from other countries
 - Could undermine instead of boost U.S. Manufacturing



OUR PERSPECTIVE MOVING FORWARD

- Trade Imbalance not a bad term
- U.S. has always consumed more than we produce
- Tariffs increase the cost, making end product less competitive





OUR PERSPECTIVE

INDUSTRY ADJUSTMENTS



- Global Supply Chain shift
- Negotiating Tactic Short Term
- Importing generates more jobs than Exporting
- International Trade will never go away
- Ripple Effect: GM, Harley-Davidson, Whirlpool
- Quota System (Tariff, Absolute)
- Product Exclusion



QUESTIONS?



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