

The Economic Impact and Implications of the U.S-P.R.C Trade-War Tariffs

ACKNOWLEDGEMENTS

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INTRODUCTION

This project analyses a range of economic factors relating to the trade-war between the United States and People's Republic of China. Of special interest is the movements of key trends including as the U.S trade balance and steel industry output levels. Two key goals of their government was to:

- 1) Revive the steel industry
- 2) Improve or eliminate the trade deficit

The project will examine the success of these objectives.

METHODOLOGY

Data gathered via publicly accessible sources: St Louis' Federal Reserve Economic Data (FRED); U.S Bureau of Economic Analysis (BEA) and U.S Bureau of Labor Statistics (BLS).

The trends of each measurement over a ten year period are displayed graphically. This time range is selected to collect the greatest range of data points possible while avoiding the outlier points of the 2008 and 2020 financial recessions. Mean data values were calculated using Microsoft Excel's descriptive statistics tool. The pre-tariff period ranges from Q1 (calendar year quarter one) 2010 to Q1 2018 while the post-tariff period covers Q2 2018 until Q4 2019.

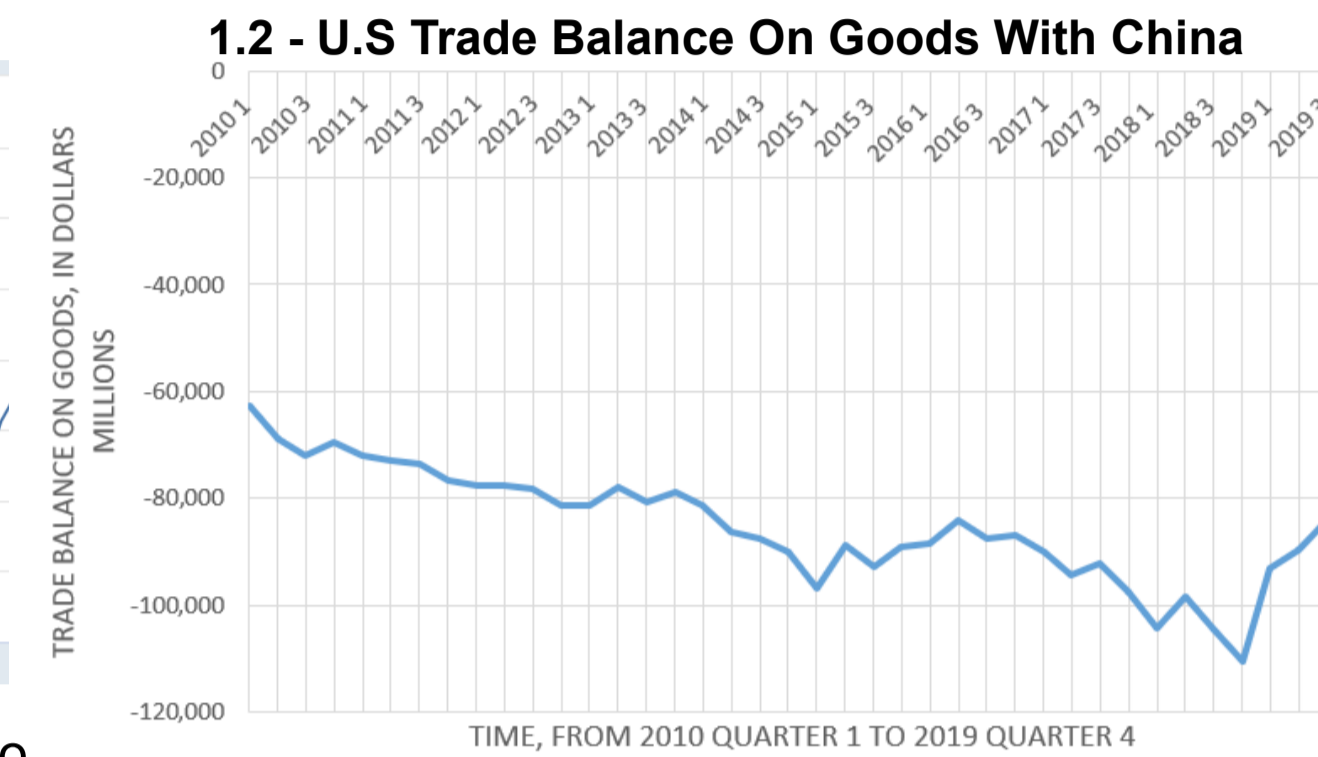
RESULTS – U.S TRADE BALANCE



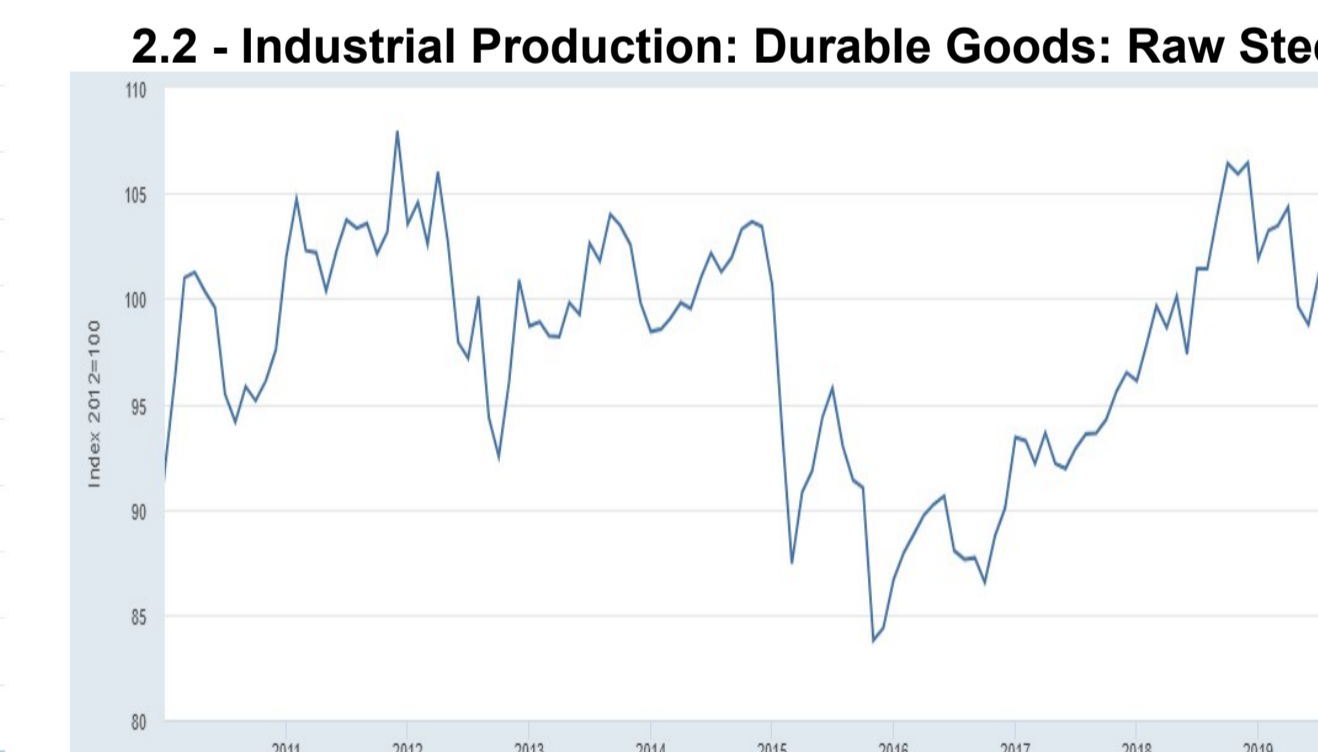
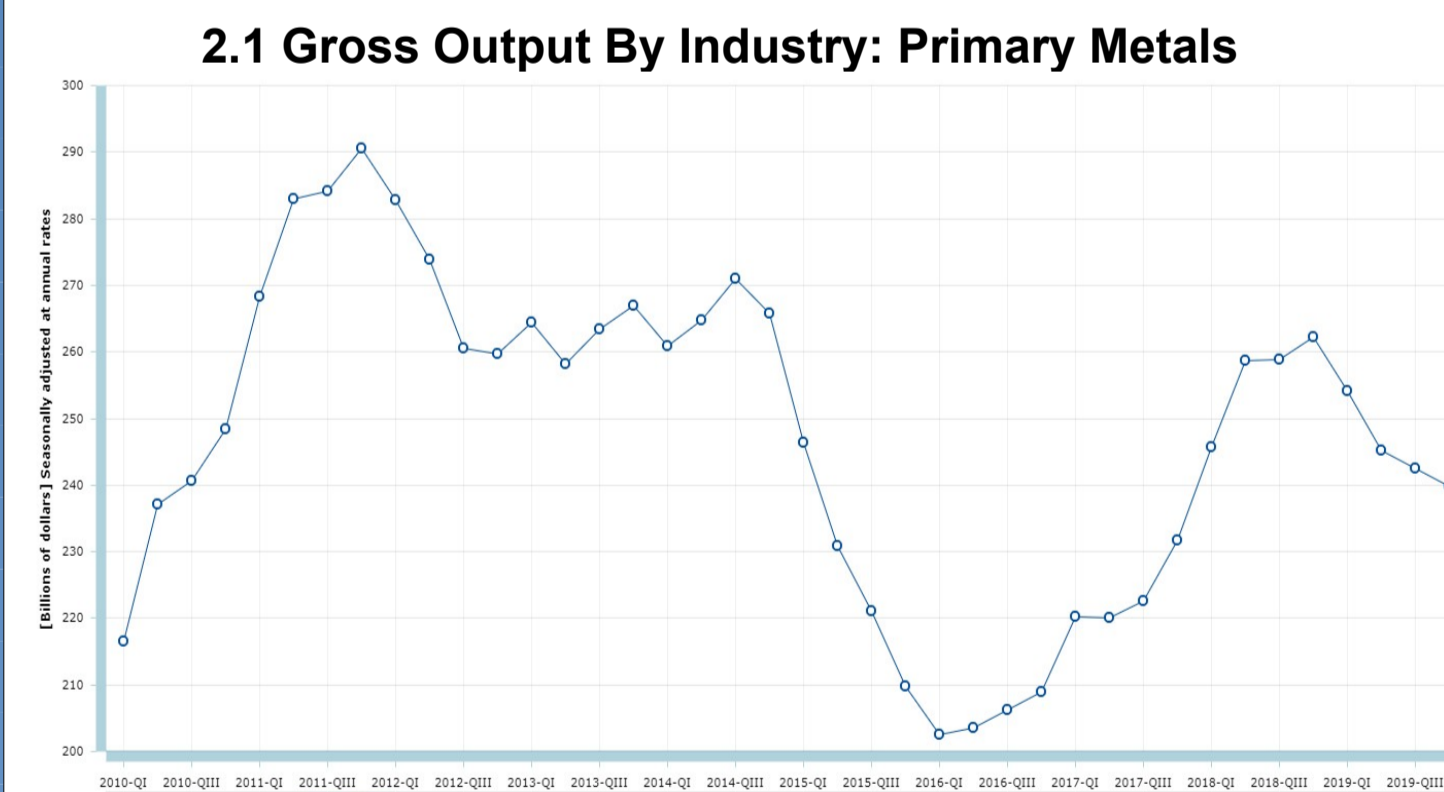
Graph 1.1 shows the U.S trade balance falling into greater deficit (-\$76903 million) in late 2018. Despite improvements in 2019, the trade balance's mean value was lower post-tariffs (-\$72701 m) than pre-tariff (-\$61718 m).

Similar results are shown for the U.S-PRC trade balance (1.2). Net-trade improved in 2019 but dipped to a ten-year low of \$110,596 (m) in Q4 2018. The average balance after tariffs was lower than before them. A long-term trade-deficit with China is observable, dragging the U.S' balance down.

Chart 1.3 highlights negative terms-of-trade with Canada, plummeting in 2019.



RESULTS – STEEL AND PRIMARY METALS INDUSTRY OUTPUTS



Index 2.2 shows steel production increasing after the trade barriers were constructed. This trend has occurred since 2016 and has not resulted in output above 2012's levels. Additionally, this has been at the expense of other industries. Primary metals output (2.1) also climbed since 2016 but experienced dramatic drop-off post-tariffs. Again, being unable to rise above peaks found earlier in the decade.

CONCLUSION

The findings indicate that the trade war had unsuccessful and detrimental impacts upon both factors. Steel production improved at the cost of other sectors, possibly from increased competition with steel producers. Terms-of-trade remained heavily negative. For these sectors the 'war' has failed to achieve the Trump administration's goals; improving the deficit and reviving the steel industry. The major expected cost of the barriers was political harm with allied countries such as Canada. This makes the objective failures more disastrous as much has been sacrificed for no gain.



TOPICS FOR FURTHER RESEARCH

- Measuring the impact of the tariffs on the Chinese steel industry compared to the United States'
- Research primary metals industry losses due to steel tariff competition
- Whether historically improvements to the U.S terms of trade have led to significant economic improvements

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