



Pacific NW Trade eNews

Alternatives to Responding with Tariffs

Welcome to World Trade Center Tacoma's Trade eNewsletter!

In a world in which we have access to more news than we can possibly digest, the WTC Tacoma Trade News seeks to provide a compilation of events and information and perspectives on issues that matter the most to those in the Pacific Northwest interested in trade.

The broader mission of the World Trade Center is to develop prosperity by facilitating trade. For this reason, we have chosen tariffs as the theme of this first issue. There is no single issue at present that has a greater impact on our ability to carry out our mission.

Trade creates jobs---[40% of Washington State jobs](#) and about [20% of jobs in the US depend on trade](#).

Trade is, however, complex. Protect one manufacturing sector with a tariff, such as [Section 232 on steel and aluminum](#), and multiple other sectors suffer due to increased raw material and input costs and the closing of markets with retaliatory tariffs.

Recently, I met with a few WTC Tacoma members who are already feeling the pain. A freight forwarder told me of clients being forced to consider moving production overseas due to a 25% increase in the cost of their inputs. Another local manufacturer calculated an immediate \$500,000 loss (the equivalent of about 7 jobs) to his bottom line, and a third with strong export sales can't get financing to expand production due to his bank's concern about the "trade war."

Businesses with experience in the China market and in competing with Chinese firms, well represented by the US Chamber of Commerce, I agree that while changes in PRC industrial policies are needed for more equitable market access, the administration's

strategy of [imposing of tariffs is "the wrong approach."](#)

I believe that those who are aware of the China's history with the West, and especially those parts on which China is highly sensitive (see [Century of Humiliation](#)), will agree that responding to the "[Made in China 2025](#)" plan by unilaterally imposing tariffs and waiting for that country to capitulate is futile. The articles selected for this letter suggest alternative, more constructive responses with a better chance of success. More importantly, these represent approaches that will be less damaging to our local and national manufacturing and agricultural sectors.

Examples include focusing our negotiations on access to China's rapidly growing services sector, spurring our own strategic investments in science and technology, and placing further emphasis on negotiating alternate bilateral or multilateral free-trade deals.

The economy, trade, and tariff issues are complex. It is critical that they we deal with them wisely and with care so as not to bring about unintended consequences. It is my hope that we can contribute to that conversation.

We look forwards to serving you and welcome your constructive feedback.

Sincerely,

[Michael Fowler](#)

Senior Trade Consultant

WTC Tacoma Export Store

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Veteran Economist Stephen Roach Suggests an Alternative China Strategy

Stephen Roach, former chairman of Morgan Stanley's operations in Asia, suggests that rather than using tariffs, the US should be negotiating access to China's services trade. It will grow by \$2 trillion by 2025. Roach explains that China's economy will shift from production to consumption, and "Shame on us if we

couldn't capture a great market share of that."



[Full Article Here](#)

Time for another "Sputnik Moment" in Key Technologies?

The Chinese government support for tech has called for U.S tariffs on Chinese goods. This strategy has raised tensions and instability between the world's two most dominant economies. A more promising alternative in competing with China in technology could be responding as we did to the Soviet space tech threat in the late 50's.



[Full Article Here](#)

Japan and EU Close Historic Trade Deal



In contrast to the recent US policy of imposing tariffs on raw materials, which increases manufacturing costs, reduces our competitive edge, and closes our export markets due to retaliatory tariffs, Japan and the EU just closed one of largest trade deals in history.

Japanese products will become more competitive in the EU, and EU products will become more competitive in Japan. Our manufacturers, on the contrary, will be at a

disadvantage in this combined market (Japan and EU) that makes up about one third of the world's economy.

[Full Article Here](#)

Tariffs on Foreign Cars May Be an Unpopular Policy



The Trump administration will face opposition for placing tariffs on foreign cars and car parts on the grounds of protecting national security. Imported cars could face an average price increase of \$6,000, and the price of American made cars could rise an average of \$2,000. The projection is that 195,000 American jobs are at stake.

[Full Article Here](#)

U.S Moves to Forge Trade Agreement with EU

In a hopeful development regarding a possible trade agreement with the EU, President Trump's top economic adviser, Larry Kudlow, says, "We will be starting immediately."

To begin negotiations for a bilateral trade agreement, the president agreed with European Commission President, Jean-Claude Juncker, to bring a truce to a trade dispute initiated by the administration's tariffs on steel and aluminum imports.



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