



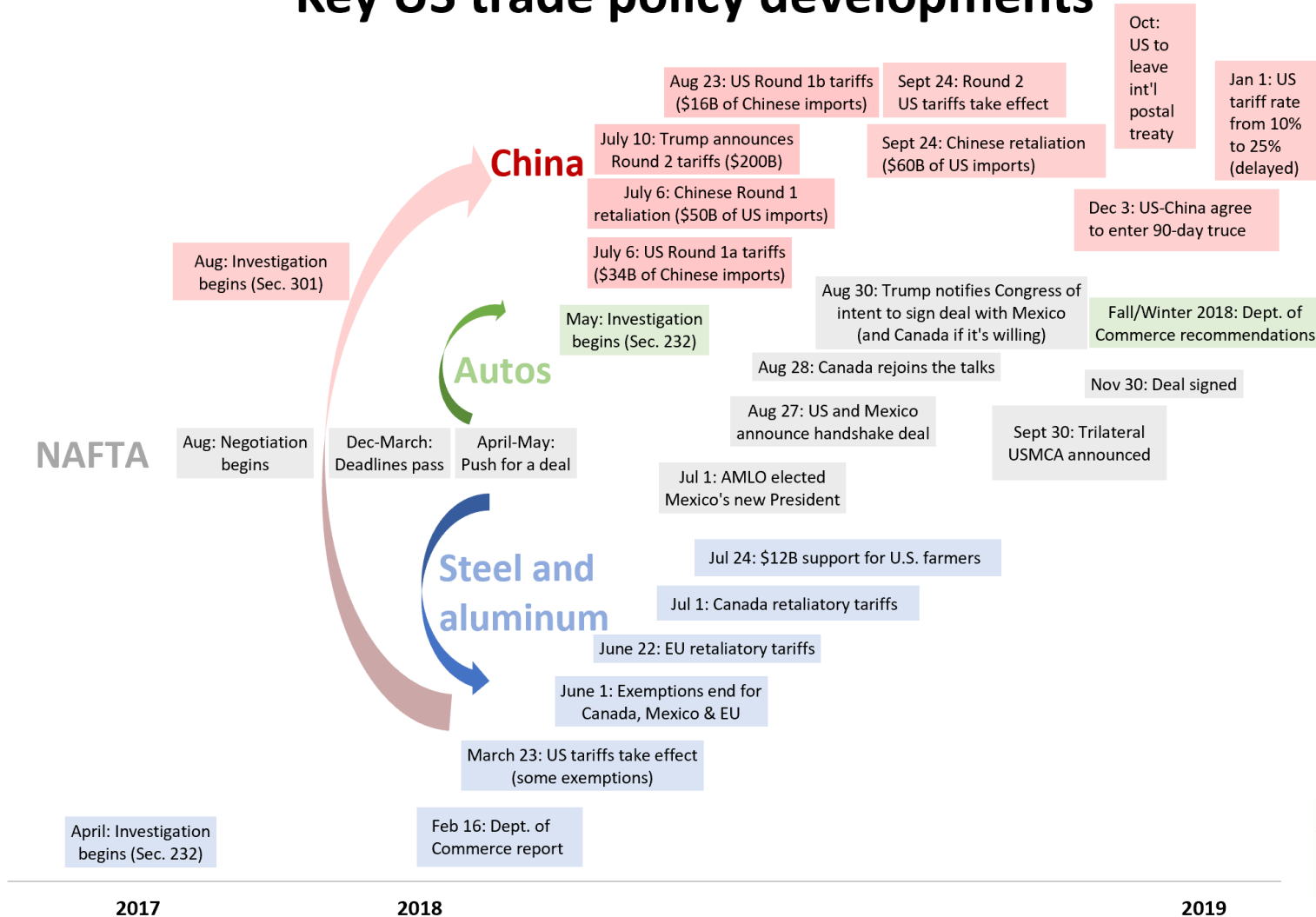
What is at Stake in US-China Trade War?

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WINDSORESSEX ECONOMIC DEVELOPMENT CORPORATION

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Key US trade policy developments



Overview of Trade Chronology

How did we get here?

- 2015 **Candidate Trump** calls for crackdown on China's trade practices... "China is not a friend of the United States"
- 2016 **Nominee Trump** campaigns on cracking down on what he called Chinese trade abuses
- May 11 2017 **President Trump** strikes trade deals that cover products such as beef, poultry - thought to be a positive step. BUT leaves disagreements over steel and aluminum and other issues unresolved.
- January 2018 Tariffs imposed: \$8.5B imported solar cells, \$1.8B imported washing machines. China criticizes.

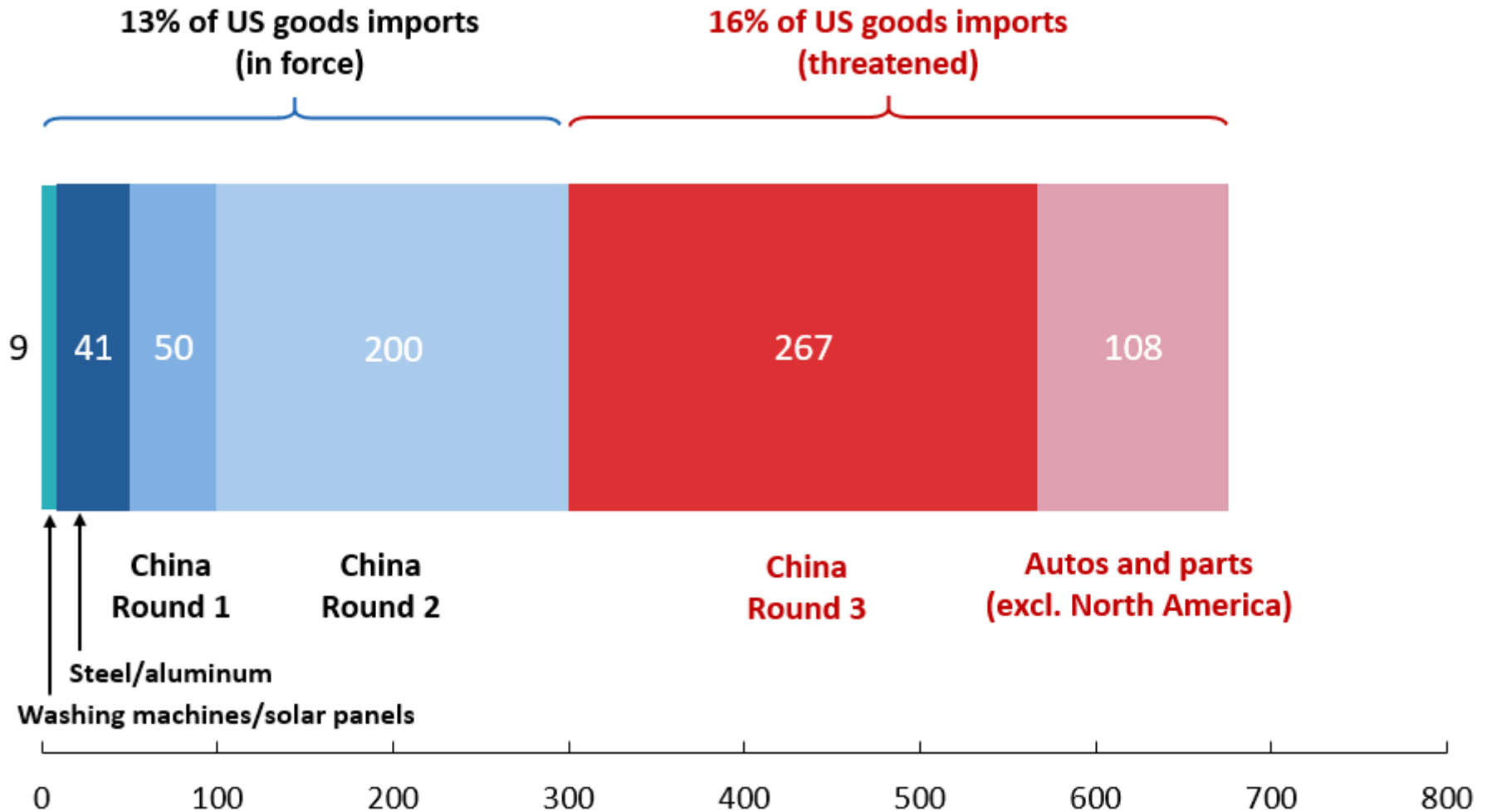
- March 2018 **President Trump** authorizes tariffs of 25% and 10% on steel and aluminum imports. “A strong steel and aluminum industry are vital to our national security”
- April 2018 China’s 1st retaliation - tariffs on approx. \$3B worth of US goods
- May 2018 Talks fail to end trade wars
- June 2018 New tariffs and escalating tension; US imposes 25% tariff on \$50B in Chinese goods; China retaliates with tariffs on \$50B on US products
- June 22 2018 EU imposes retaliatory tariffs on \$3.4B US worth of American products, ie. Motorcycles, bourbon, peanut butter, orange juice
- July 1 2018 Canada imposes retaliatory tariffs, ie ketchup, yogurt

- September 2018 **President Trump** announces 10% tariffs on additional \$200B worth of Chinese goods and indicates a hike to 25% at start of 2019, AND, threatens additional \$267B if China retaliates
- September 2018 China responds - will impose tariffs of \$60B in additional US products
- November 2018 Talks resume between US and China - “heavy emphasis on trade”
- November 2018 **President Trump** tells Wall Street Journal - he likely won’t delay the increase tariff rate on \$200B Chinese goods past Jan. 1st 2019. Suggest added tariffs on Apple iPhones and laptops from China



Tariff-ying Escalation?

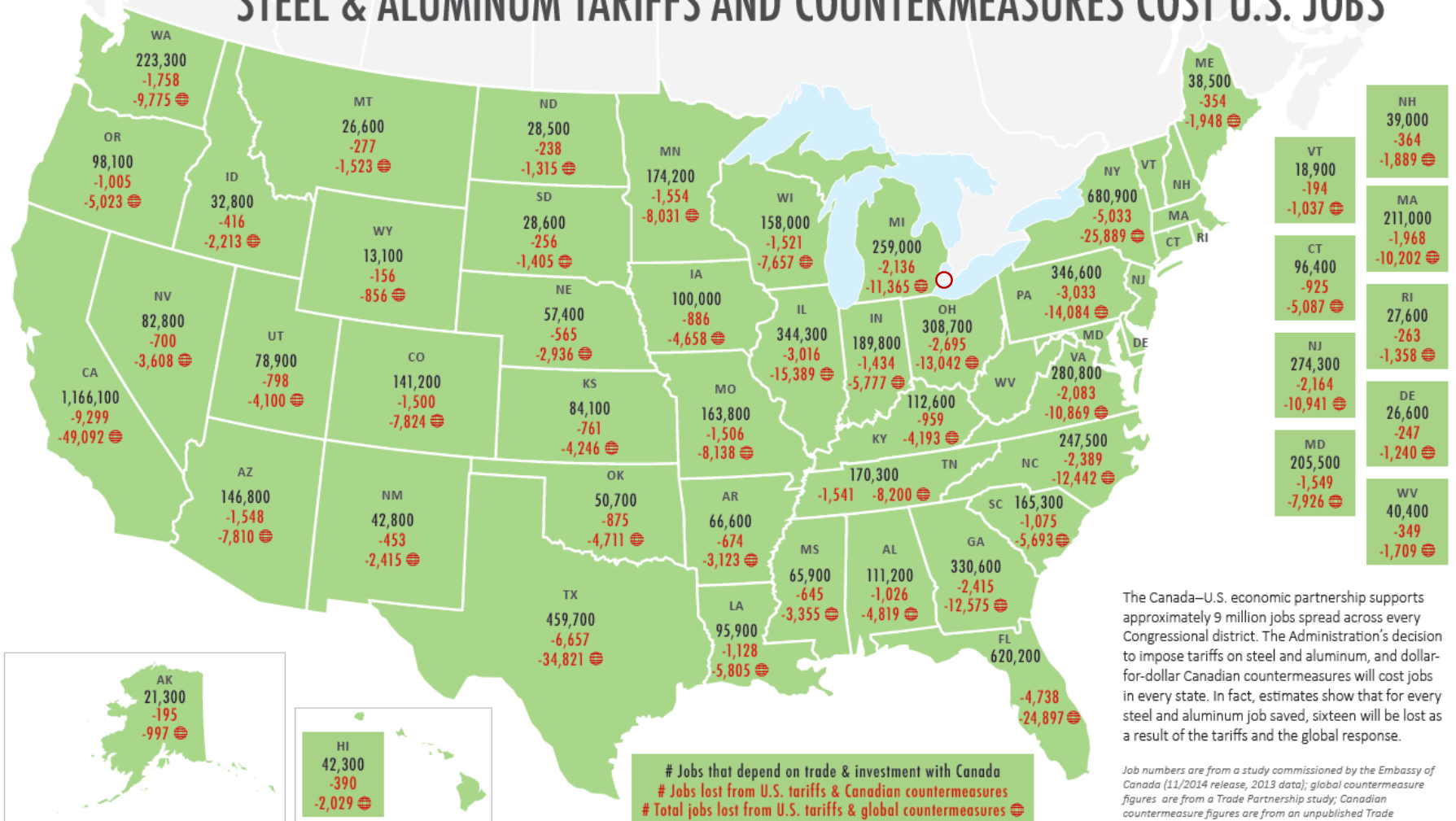
Value of US imports subject to tariffs, 2017
billions of US dollars



- December 2018 Truce struck between US and China at G20 in Argentina; US agrees to delay planned increase of tariff rate on \$200B of goods; agree to set a trade deal within 90 days
- December 29 2018 **President Trump** reports progress - talks of trade deal moving along well
- January 2019 More trade talks on deal; January 1st - US tariff rate from 10% to 25% is delayed
- January 23 2019 US rejects China offer of preparatory trade talks - Washington trip cancelled; March deadline unlikely - talks in limbo - markets are nervous.

Real Impact of Trade Wars & Tariffs on FDI & Cost of Consumer Goods

STEEL & ALUMINUM TARIFFS AND COUNTERMEASURES COST U.S. JOBS

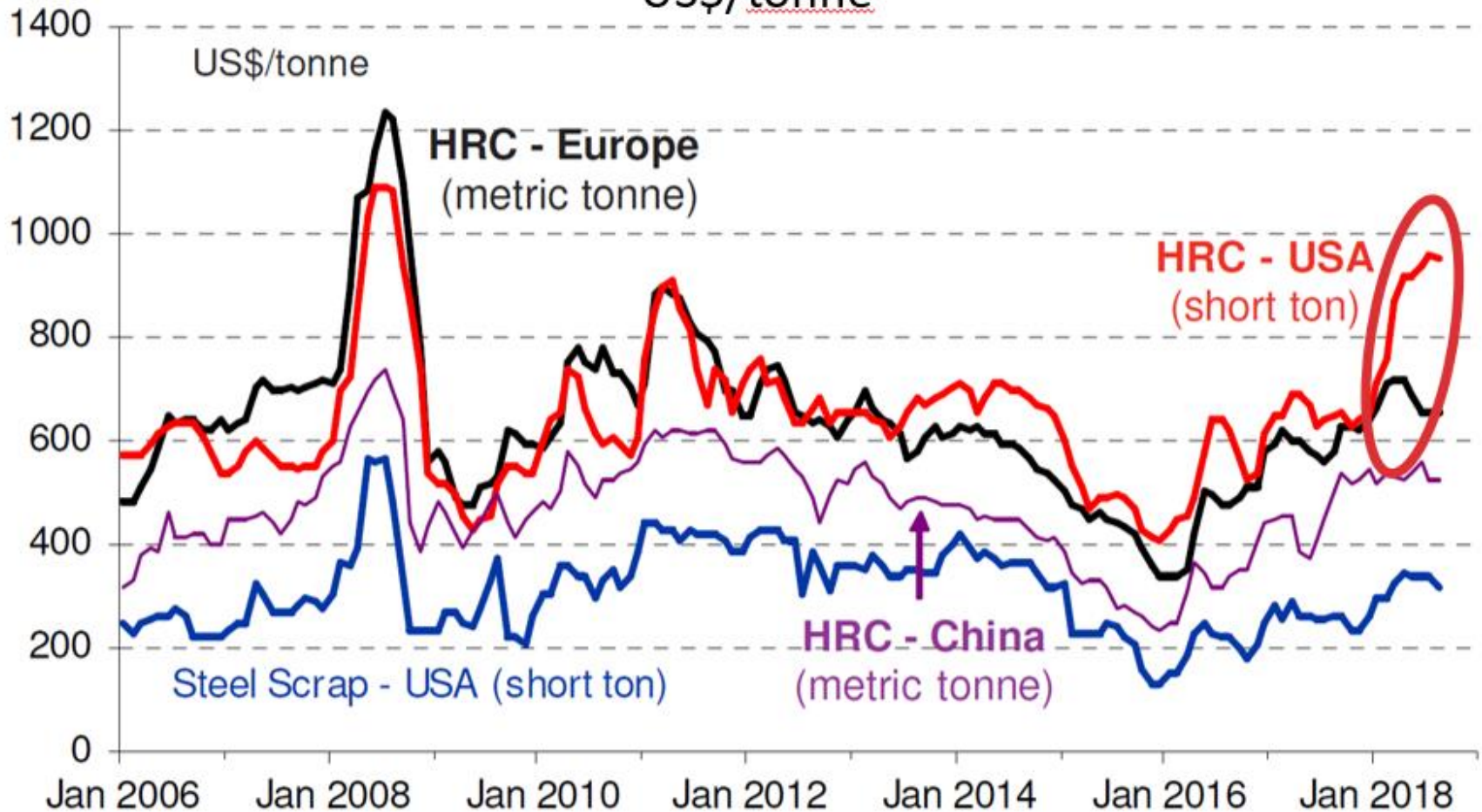


The Canada–U.S. economic partnership supports approximately 9 million jobs spread across every Congressional district. The Administration’s decision to impose tariffs on steel and aluminum, and dollar-for-dollar Canadian countermeasures will cost jobs in every state. In fact, estimates show that for every steel and aluminum job saved, sixteen will be lost as a result of the tariffs and the global response.

Job numbers are from a study commissioned by the Embassy of Canada (11/2014 release, 2013 data); global countermeasure figures are from a Trade Partnership study; Canadian countermeasure figures are from an unpublished Trade Partnership study.

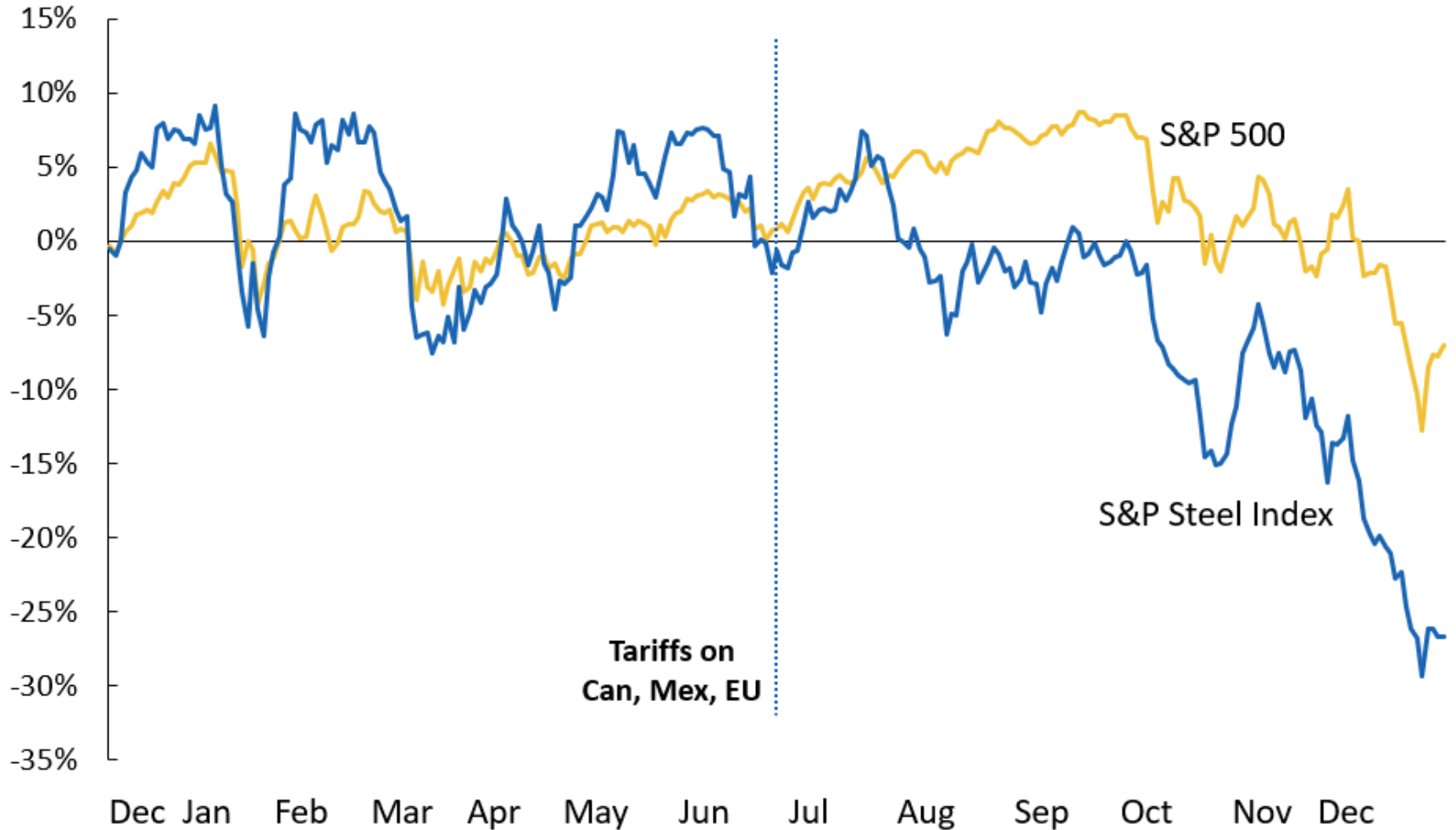
Higher US Input Prices

Steel Prices by Region
US\$/tonne



Sectoral Stock Shock

Stock market indices, percent change since Dec 2017



57 Negative Earnings Statements

CATERPILLAR

↑ costs
↓ profits



3M

Walmart 

Source: Bloomberg News

Who are the Biggest Losers?

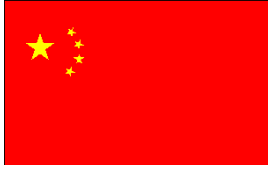
- U.S. consumers and businesses (new \$10B tax)
**equates the additional cost of the 25% tariff on steel and 10% tariff on aluminum*
- Steel/aluminum-using industries
(fabricated metals, industrial machinery, auto, electrical equipment, aerospace)

Other Impacts:

- It's an added cost affecting all products, higher costs across the board resulting in a direct hit against the economy eg. construction projects
- Tariffs on products coming in are resulting in a “**diversion effect**”
- China purposely avoiding direct soybean purchase from the US - buying from Canada, Brazil, Argentina
- USDA data showed that sales of soybeans to China had fallen from approx. 255,000 metric ton in the first week of April 2018 to just 7,900 by end of week April 26, 2018. Many cancellations of export orders too.



Other Examples:



Tampa Bay
Times



What Can Communities Do?

A Bi-National Region

Detroit, Michigan



Windsor, Ontario



Where W.E. is Located in North America



Windsor-Essex Ontario, Canada

- Approx. 200 million people are within a days drive of Windsor-Essex
- Four Canada/US surface crossings with an additional fifth crossing, the Gordie Howe International Bridge to be completed
- Windsor/Detroit crossing - busiest commercial Canada-US border crossing, handling approximately 1/3 of all Canada-US trade: over \$325 million per day
- A multimodal centre with: Windsor International Airport, the Port of Windsor, Road and Rail Infrastructure connecting directly to US Interstates and Rail Networks



Advanced Manufacturing Excellence

Industry Profile

- 1000+ manufacturers in Windsor-Essex (80% export goods)
- \$4.4B annual GDP in manufacturing 32% of region's total
- Key sectors: Automotive, Aerospace, Food Processing, Pharmaceuticals, Nutraceuticals and Medical Devices
- 90+ Auto and parts manufacturers, 250+ MTDM = Highly Integrated Supply Chain
- Home to a significant automotive cluster. Vehicle parts cross the border an avg. of 7x before final assembly
- 450+ Automation and automation-related companies
- MTDM cluster employs more than 7,700 in Windsor-Essex



Agri-Business Excellence

Industry Profile

- 212 day growing season
- Over 700 food & beverage processing companies
- 2,600+ acres of greenhouses and growing!
The second largest cluster in the World!
- 2,900 employed in agriculture industry
- Over 2,400 people employed in food and beverage processing industry



HOME TO NATIONAL AND INTERNATIONAL COMPANIES SUCH AS:



DIAGEO





2017	President Trump embarks on ambition trade negotiations
January 2017 to September 30 2018	NAFTA renegotiations, tariffs and retaliatory tariffs, Mexican election, US Mexico bi-lateral handshake, Canada/US tensions, steel aluminum tariffs “8” rounds of talks US Mexico Canada sign trade deal and the Tri-Lateral USMCA is born
TODAY	Waiting for final ratification of the “Agreement” to a “Deal”

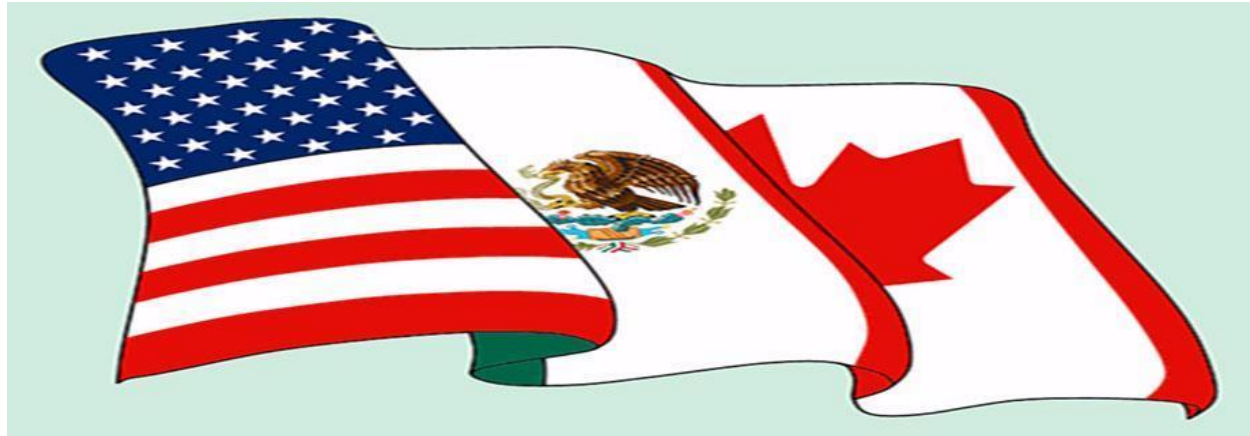
Canada US yet to finish negotiations to end US tariffs on steel and aluminum

Windsor-Essex Response

Action Plan

- Hosted meeting with affected Windsor-Essex companies to determine impacts
- Developed a Strategy Document to include:
 1. Assisting businesses with access to financial risk management services through various government agencies, including support for investment in innovation, and capital expenditures
 2. Working with local municipalities to identify programs and services available to help de-risk potential investments
 3. Working with Federal finance departments to assist with access to Duty Deferral Programs and Remissions.
 4. Explore opportunities for Business Attraction while leveraging other trade agreements (ie. CETA)

Final Thoughts



- Trade wars and tariffs impact all industries and communities - no community is immune
- Understand how the industries in your community will be impacted
- Understand/work the remedies that the system provides including government support programs



Thank you!

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