Federal Trade Policy Impacts to California's Freight System

Requested by
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Executive Summary

Background

The 2014 California Freight Mobility Plan (CFMP) describes California's freight transportation system as the "central pillar of California's economy" and "the core support for a wide array of industries and commercial activities that create and grow vibrant communities and far-reaching national and international trade, directly supporting over 1.3 million freight-specific jobs in the State."

California Department of Transportation (Caltrans) is completing a new CFMP and seeking information that will inform this revision. Of particular interest are the potential impacts of current federal trade policies, including tariffs, to specific industrial sectors, the state's freight economy and the associated transportation network. Findings from this Preliminary Investigation and possible follow-up research are expected to provide input for future iterations of the CFMP, the state's transportation and freight models, regional/interregional transportation and freight models, and regional/interregional freight studies.

To assist Caltrans in this initial information-gathering effort, CTC & Associates conducted a literature search that identified publicly available sources of background information about recent trade agreements and tariff-related actions, federal sources of trade-related information and data, and publications describing the impact of federal trade policies on a range of industries and commodities. Supplementing these findings are the results of an online survey of selected state agencies and California ports and airports that gathered information about agencies' perceptions of the effects of current federal trade policies on freight modes in their service areas.

Summary of Findings

This Preliminary Investigation gathered information in two areas:

- Related research and resources.
- Survey of practice.

Related Research and Resources

Citations in this section of the report are organized into four topic areas:

- Recent trade agreements.
- Selected tariffs.
- Federal agencies addressing trade.
- Impact of federal trade policies on industries and commodities.

Recent Trade Agreements

Two recently executed, high-profile trade agreements are highlighted in this section of the report:

- United States-Mexico-Canada Agreement (USMCA).
- Economic and Trade Agreement Between the U.S. and China (Phase One).

Note: Multiple Congressional Research Service (CRS) publications are cited in this Preliminary Investigation. The CRS web site describes this agency's role:

> By law, CRS works exclusively for Congress, providing timely, objective and authoritative research and analysis to committees and Members of both the House and Senate, regardless of political party affiliation. As a legislative branch agency within the Library of Congress, CRS has been a valued and respected resource on Capitol Hill for more than a century.

United States-Mexico-Canada Agreement

The USMCA was signed by the three parties on November 30, 2018, amended on December 10, 2019, and signed into law on January 29, 2020. Supplementing a link to the full text of the agreement is background information about what the agreement contains and how it compares to the North American Free Trade Agreement (NAFTA). USMCA is expected to revise and modernize NAFTA, in place since 1994.

Fact sheets prepared by the Office of the United States Trade Representative describe specific elements of the agreement. A description of USMCA prepared by CRS includes this brief summary of the key provisions of the new law:

> USMCA, composed of 34 chapters and 12 side letters, retains most of NAFTA's chapters, making notable changes to market access provisions for autos and agriculture products, to rules such as investment, government procurement and intellectual property rights, and to labor and the environment. New issues, such as digital trade, state-owned enterprises and currency misalignment are also addressed.

These documents are supplemented by a publication prepared by the Office of the United States Trade Representative that addresses the estimated impact of USMCA on the automotive sector, and a working paper from the International Monetary Fund that examines the transition from NAFTA to USMCA.

Economic and Trade Agreement Between the U.S. and China (Phase One)

A link to the full text of the Phase One trade agreement between the U.S. and China, signed on January 15, 2020, is supplemented by a fact sheet prepared by the Office of the United States Trade Representative that provides information on specific chapters in the agreement.

A January 17, 2020, CRS publication summarizes the content and order of the agreement, including some aspects of intellectual property (Chapter 1), technology transfer (Chapter 2), agriculture (Chapter 3), financial services (Chapter 4), macroeconomic policies and exchange rates (Chapter 5), trade purchases (Chapter 6) and dispute resolution (Chapter 7). Approximately one-fourth of the agreement addresses intellectual property commitments; discussion of technology transfer is confined to two pages. The CRS publication also examines how the agreement addressed tariffs:

- The United States agreed to delay tariffs scheduled to take effect December 15, 2019, that would have affected approximately $160 billion worth of imports from China, particularly consumer electronics.
- For U.S. tariffs enacted on September 1, 2019, the United States, as of February 14, 2020, will cut the tariff rate from 15% to 7.5%.
- The remaining U.S. tariffs enacted since March 2018 will remain in effect.

- China has agreed not to proceed with its own scheduled December tariff increases and will extend exemptions for autos, auto parts, and some pork and soybean imports it announced in September; earlier tariffs, including tariffs China implemented on September 1, remain in effect.
- China may use a case-by-case tariff exemption process to meet its purchase obligations rather than reducing tariffs.

Another CRS publication focuses on the impacts to agriculture of the U.S.-China Phase One trade deal.

Selected Tariffs

After considering tariffs more generally, citations in this section examine two types of tariffs:

- Steel and aluminum tariffs associated with Section 232 of the Trade Expansion Act of 1962.
- U.S. and China tariff actions associated with Section 301 of the Trade Act of 1974.

Tariffs Generally

The Trump administration's tariff actions are examined in a CRS publication that addresses frequently asked questions (FAQ) about these tariffs. The report begins by highlighting the U.S. trade laws authorizing the president's tariff actions:

- **Section 201 of the Trade Act of 1974.** Allows the President to impose temporary duties and other trade measures if the U.S. International Trade Commission determines a surge in imports is a *substantial cause or threat of serious injury* to a U.S. industry.
- **Section 232 of the Trade Expansion Act of 1962.** Allows the President to adjust imports if the Department of Commerce finds certain products are imported in such quantities or under such circumstances as to *threaten to impair U.S. national security*.
- **Section 301 of the Trade Act of 1974.** Allows the United States Trade Representative to suspend trade agreement concessions or impose import restrictions if it determines a U.S. trading partner is *violating trade agreement commitments or engaging in discriminatory or unreasonable practices that burden or restrict U.S. commerce*.

Other publications include a February 2020 journal article that analyzes the short-run impact of import and retaliatory tariffs on the U.S. economy, and additional CRS publications that:

- Provide a timeline of key events related to trade actions, including tariffs, quotas and quantitative limits on U.S. imports of certain goods from specified countries, as well as tariff-rate quotas.
- Consider the economic implications and escalation of the Trump administration's tariffs, noting that the tariffs imposed to date cover 16% of annual U.S. goods imports; proposed tariffs could potentially increase this amount to 40%.

Finally, a December 2019 paper produced for the Board of Governors of the Federal Reserve System estimates the effect of the tariffs—including retaliatory tariffs by U.S. trading partners—on manufacturing employment, output and producer prices.

Section 232: Steel and Aluminum Tariffs

CRS describes Section 232 of the Trade Expansion Act of 1962 as "allow[ing] any department, agency head or any 'interested party' to request the Department of Commerce (Commerce) to initiate an investigation to ascertain the effect of specific imports on the national security of the United States. Commerce may self-initiate an investigation." Section 232 has provided the basis for the federal government's tariff-related activities associated with steel and aluminum.

The January 24, 2020, Proclamation on Adjusting Imports of Derivative Aluminum Articles and Derivative Steel Articles into the United States includes a description of that presidential proclamation and a concise summary of the tariff-related proclamations that preceded it. Also cited is a CRS publication that describes Section 232, the process to employ it, and the differences between Section 232 and other trade enforcement tools.

A U.S. Customs and Border Protection web site includes updates related to remedies for tariffs on steel and aluminum, related Federal Register notices, and guidance on countries covered by various provisions of Section 232. Further details about exclusions to Section 232 tariffs and how to apply for an exclusion are available from a Department of Commerce web site that also offers access to the new 232 Exclusions Portal, a user guide for use of the portal and an FAQ for the 232 exclusions process.

Section 301: U.S. and China Tariff Actions

The citations in this section provide information about the recently signed Phase One trade deal with China and address how Section 301 has been used in connection with trade laws and tariffs. CRS describes Section 301 in a July 2019 publication:

> Sections 301 through 310 of the Trade Act of 1974, as amended, are commonly referred to as "Section 301." It is one of the principal statutory means by which the United States enforces U.S. rights under trade agreements and addresses "unfair" foreign barriers to U.S. exports. Section 301 procedures apply to foreign acts, policies and practices that the USTR [United States Trade Representative] determines either (1) violate, or are inconsistent with, a trade agreement; or (2) are unjustifiable and burden or restrict U.S. commerce.

Included are CRS publications from September and October 2019 that examine U.S. and China tariffs generally and specific to agriculture.

Federal Agencies Addressing Trade

Highlighted below are resources from a few of the myriad federal agencies that have some connection to trade:

- The Office of the United States Trade Representative web page lists 22 federal government agencies as wholly or partially dedicated to trade concerns. Many of these agencies also address tariff-related issues. The majority of agencies dedicated to trade function for the most part to establish and strengthen strong and beneficial trade relationships with other countries. A smaller number are charged with security and enforcement.
- A U.S. Census Bureau site that examines foreign trade is the "official source for U.S. export and import statistics and responsible for issuing regulations governing the reporting of all export shipments from the United States."
- The Economic Research Service, part of the Department of Agriculture, analyzes international markets and U.S. trade. This agency conducts "in-depth analyses of the

economies, agricultural sectors and policies of key trading partners, including Brazil, Canada, China, the European Union, India, Japan, Mexico and South Korea," and analyzes the "policies and regulations of major trading partners such as China, Japan, Mexico and the European Union."

- Data and analysis are provided by the United States International Trade Commission, "an independent, nonpartisan, quasi-judicial federal agency that fulfills a range of trade-related mandates." The agency provides "high-quality, leading-edge analysis of international trade issues to the President and the Congress. The Commission is a highly regarded forum for the adjudication of intellectual property and trade disputes." A key part of its mission is to "provide independent analysis and information on tariffs, trade and competitiveness; and maintain the U.S. tariff schedule."

Impact of Federal Trade Policies on Industries and Commodities

The citations in this section of the report examine the impact of federal trade policies on a range of industries and commodities.

Freight Operations

Overview of freight and tariffs. Two publications offer a high-level perspective of the effects of tariffs on multiple elements of the freight sector.

Port of Los Angeles. A November 2019 study prepared for the City of Los Angeles Harbor Department offered comprehensive data about how the tariffs applied to products entering through Los Angeles Harbor affect workers and consumers in every state and in nearly every congressional district. Supplemental information includes YouTube videos featuring the port's executive director and journal and online articles describing the study and the impacts described in the study's report and related materials.

Air freight. A September 2019 International Air Transport Association press release described how tariffs are impacting air freight demand, with the association's director general noting that "[t]rade tensions are weighing heavily on the entire air cargo industry. Higher tariffs are disrupting not only transpacific supply chains but also worldwide trade lanes. While current tensions might yield short-term political gains, they could lead to long-term negative changes for consumers and the global economy."

Railroad freight. An Association of American Railroads policy statement describes the association's support of USMCA, and an association-produced fact sheet provides data associated with rail-related impacts of USMCA. A February 2019 association report assesses the role that international trade plays for freight railroads.

A June 2019 online article noted that tariffs were having an effect on the rail industry. At that time, the U.S. covered 15% of all goods with some form of trade protection. The article indicated that to "get ahead of steeply rising U.S. tariffs, large retailers and manufacturers accelerated purchase orders, which led to a record volume of traffic at the Port of Los Angeles in May. That quickly filled up regional warehouses and distribution centers, disrupting logistics."

Trucking. An industry web site provides links to data analytics and weekly supply information that can be used to identify trucking trends. The freight market slowdown in 2019 is described in a December 2019 online article that indicated tariffs "diminished [the] trucking industry's performance." A press release from the American Trucking Associations "hails" USMCA, noting that “[t]he vast majority of trade in North America moves on truck, with $772 billion worth of goods crossing our borders with Mexico and Canada every year. [USMCA] will provide the certainty our industry needs while ensuring the United States remains competitive on the world stage.”

Automobile Industry

Two articles address the imposition of Section 232 tariffs on autos and the support of the National Automobile Dealers Association for USMCA.

Commodities and Retail

Publications from advocacy groups and other sources describe how tariffs and other trade-related actions have impacted the following commodities and the retail sector:

- Avocados.
- Chicken.
- Cotton.
- Red meat.
- National retailers.

Survey of Practice

An online survey distributed to a selected group of state departments of transportation (DOTs) and California port authorities and airports gathered information about federal trade policy impacts to their freight systems, including the impact of trade tariffs on goods movement, and the economic impacts and opportunities of current trade policies, in particular tariffs, on the freight sector. Four agencies responded to the survey: Oregon DOT, John Wayne Airport (Orange County), Ontario International Airport Authority (City of Ontario and San Bernardino County) and Port of Los Angeles.

Only the Port of Los Angeles respondent provided details of the impact of federal trade policies (including tariffs) on the agency, which has experienced the following:

- Decrease estimated between 1% and 10% in goods movement flows at state gateways (seaports, airports, land ports of entry) for rail, sea cargo and truckloads.
- Decrease estimated between 1% and 10% associated with the freight transportation system for highways, rail and seaports.

The agency has identified the total amount or value of cargo associated with increased tariffs but has not estimated the reduction of cargo moving through the port related to tariffs. A November 2019 study conducted for the agency shows “how many jobs and how much sales, income and taxes are at risk for every state due to tariffs, based on international trade through the San Pedro Bay ports of Los Angeles and Long Beach. The study also shows the economic benefits of these imports and exports to each congressional district and identifies the percentage burdened by tariffs.”

Oregon DOT has not attempted to identify the impacts of tariffs on goods movement or the transportation system generally, but the agency’s forecast models rely on national and state forecasts, which account for many factors, including national policy. The agency’s freight model uses Freight Analysis Framework Version 4 (FAF4) data to forecast Oregon’s aggregate freight movement, which is disaggregated into finer spatial detail to create network demand.

Gaps in Findings

A report attempting to characterize the current environment in a topic area such as federal trade policy that is rapidly changing will quickly become outdated. Changes to the trade- and tariff-related actions described in this report or new trade-related actions could affect how Caltrans approaches its examination of the federal trade policy impacts to California's freight system. Additionally, the survey conducted for this project received an extremely limited response, with only one respondent providing the type of information sought by the project panel. Reaching out to agencies not participating in the survey could uncover useful information about other agencies' experience.

Next Steps

Moving forward, Caltrans could consider:

- Reviewing in detail the publications cited in this report that seek to quantify the impacts of trade-related actions to determine how those analyses might apply to Caltrans' exploration of California-specific impacts, especially the following resources:
  - Office of the United States Trade Representative web sites and publications describing recent trade agreements.
  - CRS publications describing recent trade agreements and tariff impacts.
  - A November 2019 report produced for the Port of Los Angeles describing tariff impacts within California and beyond.
- Using the links provided in the **Federal Agencies Addressing Trade** section of this report to continue to monitor trade-related policies and their impacts.
- Contacting agencies not responding to the survey to inquire about their experiences.

Detailed Findings

Background

The 2014 California Freight Mobility Plan (CFMP) describes California's freight transportation system as the "central pillar of California's economy" and "the core support for a wide array of industries and commercial activities that create and grow vibrant communities and far-reaching national and international trade, directly supporting over 1.3 million freight-specific jobs in the State." The CFMP further states that California's freight transportation system is the strongest in the nation, a position that is being challenged by competing freight systems in other states and countries and changing technology.

With California Department of Transportation (Caltrans) currently completing a new CFMP, it is critical and timely to better understand the potential impacts of current federal trade policies to specific industrial sectors, the state's freight economy and the associated transportation network as a result of the U.S. implementing tariffs on imports from China and China's corresponding implementation of tariffs on U.S. exports. Also of interest are the impacts of the U.S. implementing tariffs on imports from other countries as well as the effects of the retaliatory tariffs imposed on U.S. exports by a number of countries, and the anticipated effects of the recently executed United States-Mexico-Canada Agreement (USMCA).

Caltrans is seeking background information, current at the time of publication of this report, that can inform a future in-depth analysis of a dynamic federal trade policy that features the prominent use of tariffs and examines the potential impacts of such policies. Findings from this Preliminary Investigation and possible follow-up research are expected to provide input for future iterations of the CFMP, the state's transportation and freight models, regional/interregional transportation and freight models, and regional/interregional freight studies.

To assist Caltrans in this initial information-gathering effort, CTC & Associates conducted a literature search that identified publicly available sources of background information about recent trade agreements and tariff-related actions, federal sources of trade-related information and data, and publications describing federal trade-related impacts to a range of industries and commodities. Supplementing these findings are the results of an online survey of selected state agencies and California ports and airports that gathered information about agencies' perceptions of the effects of current federal trade policies on freight modes in their service areas.

Findings from these efforts are presented in this Preliminary Investigation in two areas:

- Related research and resources.
- Survey of practice.

Note: The rapidly changing nature of federal trade policy means that this report, which attempts to characterize the current environment, will quickly become outdated. There may be changes to the trade- and tariff-related actions described in this report, or new trade-related actions, that will affect how Caltrans approaches its examination of the federal trade policy impacts to California's freight system.

Related Research and Resources

The citations below are organized into four topic areas:

- Recent trade agreements.
- Selected tariffs.
- Federal agencies addressing trade.
- Impact of federal trade policies on industries and commodities.

Note: Many of the publications cited in **Recent Trade Agreements** and **Selected Tariffs** are produced by the Congressional Research Service (CRS). As the CRS web site indicates, "[b]y law, CRS works exclusively for Congress, providing timely, objective and authoritative research and analysis to committees and Members of both the House and Senate, regardless of political party affiliation. As a legislative branch agency within the Library of Congress, CRS has been a valued and respected resource on Capitol Hill for more than a century."

Recent Trade Agreements

Two recently executed, high-profile trade agreements are highlighted below:

- USMCA.
- Economic and Trade Agreement Between the U.S. and China (Phase One).

Links to each agreement are supplemented by government fact sheets and implementation considerations, and estimates of the agreements' impacts.

United States-Mexico-Canada Agreement

United States-Mexico-Canada Agreement, Office of the United States Trade Representative, Executive Office of the President, undated.
https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement
This web site describes USMCA and includes links to the full text of the agreement (signed by the three parties on November 30, 2018; amended on December 10, 2019; and signed into law on January 29, 2020) and the main USMCA web page.

USMCA Fact Sheets, Office of the United States Trade Representative, Executive Office of the President, undated.
https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/fact-sheets
This section of the USMCA web site includes links to seven fact sheets covering the following aspects of the trade agreement:

- Modernizing the North American Free Trade Agreement (NAFTA) into a 21st century trade agreement.
- Rebalancing trade to support manufacturing.
- Strengthening North American trade in agriculture.
- Agriculture: Market access and dairy outcomes of the USMCA.

- Supporting America’s small- and medium-sized businesses.
- USMCA state fact sheets.
- USMCA issue-specific fact sheets. (These fact sheets address agricultural goods, automobiles and automotive parts, digital trade, energy and energy products, environment, intellectual property, labor, combatting nonmarket practices, small- and medium-sized businesses, textiles and apparel, and monitoring and enforcement.)

Related Resource:

USMCA State Fact Sheet: California, Office of the United States Trade Representative, Executive Office of the President, undated.
https://ustr.gov/sites/default/files/files/Press/fs/USMCA/USMCA_California.pdf
This fact sheet includes information about USMCA’s key provisions and data specific to California (for example, the top California exports to Canada and Mexico in 2018).

U.S.-Mexico-Canada (USMCA) Trade Agreement, M. Angeles Villarreal and Ian F. Fergusson, *In Focus*, Congressional Research Service, updated January 30, 2020.
https://crsreports.congress.gov/product/pdf/IF/IF10997
This document briefly describes key provisions of USMCA, which is “composed of 34 chapters and 12 side letters” and “retains most of NAFTA’s chapters.” Market access to motor vehicles and dairy is discussed, and a table highlights USMCA selected changes to NAFTA with regard to autos, intellectual property rights protection, government procurement (GP), digital trade, investor-state dispute settlement (ISDS) and state-owned enterprises.

New USMCA provisions:

- Binding obligations on currency misalignment and misalignment.
- A sunset clause requiring a joint review and agreement on renewal at year 6; in lieu of mutual agreement at the time, USMCA would expire 16 years later.
- A new chapter on state-owned enterprises.
- *De minimis* customs threshold for duty free treatment set at $117 for Canada and Mexico. Tax-free threshold set at $50 for Mexico and C$40 for Canada.
- Allowing a party to withdraw from the agreement if another party enters into a free trade agreement (FTA) with a country it deems to be a nonmarket economy (e.g., China).

Among the issues highlighted for congressional review:

- Whether modified provisions on labor, environment, pharmaceuticals and enforcement meet congressional concerns.
- How USMCA would affect future U.S. FTAs given its reduced commitments such as ISDS, GP and *de minimis* levels and expanded revisions on worker rights.

USMCA: Implementation and Considerations for Congress, Nina M. Hart, *Legal Sidebar*, Congressional Research Service, January 30, 2020.
https://crsreports.congress.gov/product/pdf/download/LSB/LSB10399/LSB10399.pdf/
From the publication: On January 29, 2020, the President signed into law the United States-Mexico-Canada Agreement (USMCA) Implementation Act, H.R. 5430, which approves and implements USMCA. Once USMCA enters into force, the obligations in that Agreement will replace the Parties’ obligations under the North American Free Trade Agreement (NAFTA). This Sidebar discusses how USMCA’s obligations and other provisions become binding on the

United States; explains how USMCA will supersede NAFTA; and identifies several considerations for Congress.

Estimated Impact of the United States-Mexico-Canada Agreement (USMCA) on the U.S. Automotive Sector, White Paper, Office of the United States Trade Representative, Executive Office of the President, April 2019.
https://ustr.gov/sites/default/files/files/Press/Releases/USTR%20USMCA%20Autos%20White%20Paper.pdf
From the overview: The automotive rules of origin (ROO) in the North American Free Trade Agreement (NAFTA) are outdated, contain significant loopholes, and have encouraged the outsourcing of U.S. jobs. The new automotive ROO in the United States-Mexico-Canada Agreement (USMCA), by contrast, are designed to incentivize investment, production and employment in the U.S. automotive sector (see Annex 1 for a Summary of Key USMCA Auto Rules of Origin Provisions).

Using information provided by automakers with assembly operations in North America, the Office of the United States Trade Representative (USTR) has made an initial assessment of the short-term, quantitative impact of the USMCA's new automotive ROO. In order to obtain the maximum transition time to comply with the USMCA's rules, each North American vehicle producer must provide to USTR a credible compliance plan, outlining how the company will qualify its North American light vehicle fleet under the agreement's rules over the transition period. Nearly every automaker in North America has voluntarily provided USTR with information that could be used to develop such a plan, on a business confidential basis.

Using aggregated data from these submissions, as well as public announcements made by automakers or parts suppliers, USTR estimates that, over the course of five years, the USMCA should result in approximately:

- New automotive investments: $34 billion.
- New annual auto parts purchases: $23 billion.
- New automotive jobs: 76,000.

NAFTA to USMCA: What is Gained?, Mary E. Burfisher, Frederic Lambert and Troy Matheson, IMF Working Paper, International Monetary Fund, March 2019.
https://www.imf.org/~/media/Files/Publications/WP/2019/WPIEA2019073.ashx
From the abstract: The United States-Mexico-Canada Agreement (USMCA) was signed on November 30, 2018 and aims to replace and modernize the North-American Free Trade Agreement (NAFTA). This paper uses a global, multisector, computable-general-equilibrium model to provide an analytical assessment of five key provisions in the new agreement, including tighter rules of origin in the automotive, textiles and apparel sectors, more liberalized agricultural trade, and other trade facilitation measures. The results show that together these provisions would adversely affect trade in the automotive, textiles and apparel sectors, while generating modest aggregate gains in terms of welfare, mostly driven by improved goods market access, with a negligible effect on real GDP [gross domestic product]. The welfare benefits from USMCA would be greatly enhanced with the elimination of U.S. tariffs on steel and aluminum imports from Canada and Mexico and the elimination of the Canadian and Mexican import surtaxes imposed after the U.S. tariffs were put in place.

Economic and Trade Agreement Between the U.S. and China (Phase One)

Economic and Trade Agreement Between the Government of the United States of America and the Government of the People's Republic of China, Office of the United States Trade Representative, Executive Office of the President, January 15, 2020.
https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf
This is the text of the Phase One trade agreement released to the public after it was signed on January 15, 2020. The citation immediately below provides a summary of the agreement and describes its relationship to Section 301 tariff actions.

Related Resource:

> **Fact Sheet: Agreement Between the United States of America and the People's Republic of China**, Office of the United States Trade Representative, Executive Office of the President, December 13, 2019.
> https://ustr.gov/sites/default/files/US-China-Agreement-Fact-Sheet.pdf
> This two-page fact sheet provides information on specific chapters of the Phase One agreement that address intellectual property, technology transfer, agriculture, financial services, currency, trade expansion and dispute resolution.

U.S. Signs Phase One Trade Deal With China, Karen M. Sutter, *Insight*, Congressional Research Service, updated January 17, 2020.
https://crsreports.congress.gov/product/pdf/download/IN/IN11208/IN11208.pdf/
From the publication:

> President Trump on January 15, 2020, signed a phase one trade agreement with the Chinese government that is intended to resolve some of the trade and investment issues the Administration raised in March 2018, pursuant to Section 301 of the U.S. Trade Act of 1974. Including appendices, the agreement is 96 pages and covers some aspects of intellectual property (IP) (Chapter 1), technology transfer (Chapter 2), agriculture (Chapter 3), financial services (Chapter 4), macroeconomic policies and exchange rates (Chapter 5), trade purchases (Chapter 6), and dispute resolution (Chapter 7). Approximately one-fourth of the agreement addresses IP commitments. Discussion of technology transfer is confined to two pages.

An overview of key issues includes a discussion of tariffs:

> **Tariffs.** The United States agreed to delay tariffs scheduled to take effect December 15, 2019, that would have affected approximately $160 billion worth of imports from China, particularly consumer electronics. For U.S. tariffs enacted on September 1, 2019, the United States, as of February 14, 2020, will cut the tariff rate from 15% to 7.5%. The remaining U.S. tariffs enacted since March 2018 will remain in effect. According to a December 15 announcement by China's State Council Tariff Commission, China has agreed not to proceed with its own scheduled December tariff increases (Appendix II) and will extend exemptions for autos, auto parts, and some pork and soybean imports it announced in September; earlier tariffs, including tariffs China implemented on September 1 (Appendix I), remain in effect. China may use a case-by-case tariff exemption process to meet its purchase obligations rather than reducing tariffs (See CRS Report R45949, *U.S.-China Tariff Actions by the Numbers*.) [*Note*: A citation for *U.S.-China Tariff Actions by the Numbers,* appears on page 19 of this Preliminary Investigation.]

U.S.-China Phase I Deal: Agriculture, Anita Regmi, *In Focus*, Congressional Research Service, updated February 7, 2020.
https://crsreports.congress.gov/product/pdf/download/IF/IF11412/IF11412.pdf/
From the publication: On January 15, 2020, President Trump signed a "Phase I" executive agreement (that does not require congressional approval) with the Chinese government on trade and investment issues, including agriculture. This marks at least the temporary resolution of a dispute that began when the United States imposed tariffs on a wide range of Chinese exports in 2018, and China retaliated with tariffs on almost all U.S. agricultural products and certain other goods.

Under the agreement, China will not repeal any tariffs. It is possible that China will grant tariff exclusions for various agricultural products, lowering their prices to domestic buyers in order to reach a target level of U.S. imports. The agreement is expected to improve market access for U.S. agricultural products. The value of U.S. agricultural exports to China was far lower in 2018 and 2019 than in 2017 due to the retaliatory tariffs imposed by China (see CRS Report R45903, *Retaliatory Tariffs and U.S. Agriculture*).

Related Resource:

> **Retaliatory Tariffs and U.S. Agriculture**, Anita Regmi, Congressional Research Service, September 13, 2019.
> https://crsreports.congress.gov/product/pdf/R/R45903
> *From the report objectives*: This report recaps the chronology and the effect of U.S. Section 232 and Section 301 actions on U.S. food and agricultural imports and the retaliatory tariffs imposed on U.S. agricultural exports by its trading partners during 2018 and the spring of 2019. As China is subjected to the largest set of U.S. tariff increases and has levied the most expansive set of retaliatory tariffs on U.S. agricultural products, this report largely focuses on the effects of Chinese retaliatory tariffs on U.S. agricultural trade. Because almost all U.S. food and agricultural tariff lines are affected by Chinese retaliatory tariffs, the report provides illustrative examples using selected agricultural products. Thus, the report is not a comprehensive review of the effect of Chinese retaliatory tariffs on every U.S. agricultural product exported to China.
>
> Retaliatory tariffs have made U.S. products relatively more expensive in China, with the result that Chinese imports from other countries have increased in lieu of U.S. products. This report discusses the short- and long-run economic effects of the changes in trade flows, locally, nationally, and globally. The long-run effects may potentially be more problematic, as China and Russia have increased their agricultural productivity over the past two to three decades, and China has increased investments in other countries to develop potential future sources of imports. Additionally, China has improved market access for imports from other countries while it has increased tariffs on U.S. imports. Finally, the report presents the views of selected U.S. agricultural stakeholders on retaliatory tariffs, and it identifies issues that may be of interest for Congress.

Selected Tariffs

The citations below consider tariffs more generally before addressing two types of tariffs:

- Steel and aluminum tariffs associated with Section 232 of the Trade Expansion Act of 1962.
- U.S. and China tariff actions associated with Section 301 of the Trade Act of 1974.

Tariffs Generally

Trump Administration Tariff Actions (Sections 201, 232 and 301): Frequently Asked Questions, Brock R. Williams, Cathleen D. Cimino-Isaacs, Rachel F. Fefer, Keigh E. Hammond, Vivian C. Jones, Wayne M. Morrison and Andres B. Schwarzenberg, Congressional Research Service, February 22, 2019.
https://crsreports.congress.gov/product/pdf/download/R/R45529/R45529.pdf/
This publication provides an excellent background on tariffs and their impacts, and highlights the U.S. trade laws authorizing the president's tariff actions:

- **Section 201 of the Trade Act of 1974.** Allows the President to impose temporary duties and other trade measures if the U.S. International Trade Commission determines a surge in imports is a substantial cause or threat of serious injury to a U.S. industry.
- **Section 232 of the Trade Expansion Act of 1962.** Allows the President to adjust imports if the Department of Commerce finds certain products are imported in such quantities or under such circumstances as to threaten to impair U.S. national security.
- **Section 301 of the Trade Act of 1974.** Allows the United States Trade Representative to suspend trade agreement concessions or impose import restrictions if it determines a U.S. trading partner is violating trade agreement commitments or engaging in discriminatory or unreasonable practices that burden or restrict U.S. commerce.

The report includes the following sections:

- Overview of recent tariff actions.
- Scale and scope of U.S. and retaliatory tariffs.
- Economic implications of tariff actions.
- Presidential trade authorities and Congress.
- Tariff revenue questions.
- Relation to World Trade Organization (WTO) and U.S. trade agreements.
- Additional sources of information.

"The Return to Protectionism," Pablo D. Fajgelbaum, Pinelopi K. Goldberg, Patrick J. Kennedy and Amit K. Khandelwal, *The Quarterly Journal of Economics*, Vol. 135, Issue 1, pages 1-55, February 2020.
https://academic.oup.com/qje/article/135/1/1/5626442
From the abstract: After decades of supporting free trade, in 2018 the United States raised import tariffs and major trade partners retaliated. We analyze the short-run impact of this return to protectionism on the U.S. economy. Import and retaliatory tariffs caused large declines in imports and exports. Prices of imports targeted by tariffs did not fall, implying complete pass-through of tariffs to duty-inclusive prices. The resulting losses to U.S. consumers and firms that buy imports was $51 billion, or 0.27% of GDP. We embed the estimated trade elasticities in a general-equilibrium model of the U.S. economy. After accounting for tariff revenue and gains to domestic producers, the aggregate real income loss was $7.2 billion, or 0.04% of GDP. Import tariffs favored sectors concentrated in politically competitive counties, and the model implies that tradeable-sector workers in heavily Republican counties were the most negatively affected due to the retaliatory tariffs.

Escalating U.S. Tariffs: Timeline, Brock R. Williams and Keigh E. Hammond, *Insight*, Congressional Research Service, updated January 29, 2020.
https://crsreports.congress.gov/product/pdf/download/IN/IN10943/IN10943.pdf/
The five tables in this document provide "a timeline of key events related to each trade action. In addition to tariffs, the President has imposed quotas, or quantitative limits, on U.S. imports of certain goods from specified countries, as well as tariff-rate quotas (TRQs), for which one tariff applies up to a specific quantity or value of imports and a higher tariff applies above that threshold." These trade actions include:

- Section 201, Global Safeguard Investigations.
- Section 232, Steel, Aluminum, Auto, Uranium and Titanium Sponge Investigations.
- Section 301, Investigation of China's IP and Innovation Policies.
- Section 301, Investigation of France's Digital Service Tax.
- Proposed Tariffs on Mexico Under the International Emergency Economic Powers Act.

Escalating U.S. Tariffs: Affected Trade, Brock R. Williams and Keigh E. Hammond, *Insight*, Congressional Research Service, updated January 29, 2020.
https://crsreports.congress.gov/product/pdf/download/IN/IN10971/IN10971.pdf/
From the publication: As debates continue, Congress may consider the following:

…

- **Economic Implications and Escalation**. The Administration's tariffs imposed to date cover 16% of annual U.S. goods imports; proposed tariffs could potentially increase this to 40%. Negative effects of the tariffs may be substantial for individual firms reliant either on imports subject to the U.S. tariffs or exports facing retaliatory measures. Most studies suggest the tariffs now in effect will reduce U.S. and global economic growth. What are the Administration's ultimate objectives from the tariff increases and do potential benefits justify potential costs?

"Disentangling the Effects of the 2018–2019 Tariffs on a Globally Connected U.S. Manufacturing Sector," Aaron Flaaen and Justin Pierce, Finance and Economics Discussion Series, Board of Governors of the Federal Reserve System, December 23, 2019.
https://www.federalreserve.gov/econres/feds/files/2019086pap.pdf
From the abstract: In this paper, we estimate the effect of the tariffs—including retaliatory tariffs by U.S. trading partners—on manufacturing employment, output, and producer prices. A key feature of our analysis is accounting for the multiple ways that tariffs might affect the manufacturing sector, including providing protection for domestic industries, raising costs for imported inputs, and harming competitiveness in overseas markets due to retaliatory tariffs. We find that U.S. manufacturing industries more exposed to tariff increases experience relative reductions in employment as a positive effect from import protection is offset by larger negative effects from rising input costs and retaliatory tariffs. Higher tariffs are also associated with relative increases in producer prices via rising input costs.

Section 232: Steel and Aluminum Tariffs

Section 232 of the Trade Expansion Act of 1962 is described by CRS as **"**allow[ing] any department, agency head or any 'interested party' to request the Department of Commerce (Commerce) to initiate an investigation to ascertain the effect of specific imports on the national security of the United States. Commerce may self-initiate an investigation." Section 232 has provided the basis for the federal government's tariff-related activities associated with steel and aluminum.

Proclamation on Adjusting Imports of Derivative Aluminum Articles and Derivative Steel Articles into the United States, Presidential Proclamation, The White House, January 24, 2020.
https://www.whitehouse.gov/presidential-actions/proclamation-adjusting-imports-derivative-aluminum-articles-derivative-steel-articles-united-states/
This recent presidential proclamation, which directs that "all imports of derivative aluminum articles specified in Annex I to this proclamation shall be subject to an additional 10 percent ad valorem rate of duty, and all imports of derivative steel articles specified in Annex II to this proclamation shall be subject to an additional 25 percent ad valorem rate of duty, with respect to goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. [E]astern [S]tandard [T]ime on February 8, 2020," includes a concise summary of the tariff-related proclamations that preceded it.

Section 232 of the Trade Expansion Act of 1962, Rachel F. Fefer and Vivian C. Jones, *In Focus*, Congressional Research Service, updated January 27, 2020.
https://crsreports.congress.gov/product/pdf/download/IF/IF10667/IF10667.pdf/
This document includes a series of questions for Congress (note that the first question asks about the economic impact of tariffs):

- What is the economic impact of the tariffs, and retaliatory tariffs, on U.S. producers, downstream domestic industries and consumers?
- Should Congress consider amending current delegated authorities under Section 232, possibly by requiring congressional consultation or approval, requiring an economic impact study, or by specifying further guidance for the investigation?
- Should Congress consider establishing specific or enhanced new trade agreement negotiating objectives to pursue negotiations to establish multilateral rules that address newer issues such as excess capacity, state-owned enterprises or anti-corruption?
- What is the potential impact of using unilateral enforcement tools on U.S. allies? Will they be less likely to engage or partner in other negotiations?
- Could U.S. unilateral actions and broad application of the WTO [World Trade Organization] Article XXI undermine the WTO rules and the multilateral trading system?

Section 232: Trade Remedies on Aluminum and Steel, U.S. Customs and Border Protection, U.S. Department of Homeland Security, last modified February 10, 2020.
https://www.cbp.gov/trade/programs-administration/trade-remedies/section-232-trade-remedies-aluminum-and-steel
This web site provides updates related to remedies for tariffs on aluminum and steel, related Federal Register notices, guidance on countries covered by various provisions of Section 232 and additional information.

Section 232: Exclusions, U.S. Department of Commerce, undated.
https://www.commerce.gov/page/section-232-investigations
This web site provides a good starting point for individuals seeking information about exclusions to the Section 232 tariffs or those wishing to create a new exclusion request. Among the links are the new 232 Exclusions Portal, a user guide for the portal and an FAQ for the 232 exclusions process.

Related Resources:

"Commerce Launches New 232 Exclusions Portal," Press Release, U.S. Department of Commerce, June 13, 2019.
https://www.commerce.gov/sites/default/files/2019-06/232%20Exclusions%20Portal%20Press%20Release_06-13-2019.pdf
From the press release: The U.S. Department of Commerce announced today the launch of its new 232 Exclusions Portal for processing new steel and aluminum exclusion requests, which is located at www.trade.gov/232/steelalum. The 232 Exclusions Portal will streamline the exclusion process and result in faster decisions for industry on their exclusion requests.

Further, the public will now be able to easily view all exclusion request, objection, rebuttal and sur-rebuttal documents in a centralized web-based system. The Portal features enhanced search capabilities that allow users to filter exclusion requests and related filings by categories such as company name and product type.

In addition, the 232 Exclusions Portal will provide transparency to external parties through a real-time decision-status tracking mechanism. The Department has also streamlined its coordination with U.S. Customs and Border Protection (CBP) to ensure that all exclusion requests posted on the 232 Exclusions Portal are identified by Harmonized Tariff Schedule codes that are administrable by CBP.

Published Exclusion Requests: 232 Exclusions Portal, U.S. Department of Commerce, undated.
https://232app.azurewebsites.net/steelalum
This site allows users to view exclusion requests already submitted or log in to create a new exclusion request.

United States Announces Deal With Canada and Mexico to Lift Retaliatory Tariffs, Office of the United States Trade Representative, Executive Office of the President, May 17, 2019.
https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/may/united-states-announces-deal-canada-and
From the web site: Today, the United States announced an agreement with Canada and Mexico to remove the Section 232 tariffs for steel and aluminum imports from those countries and for the removal of all retaliatory tariffs imposed on American goods by those countries. The agreement provides for aggressive monitoring and a mechanism to prevent surges in imports of steel and aluminum. If surges in imports of specific steel and aluminum products occur, the United States may re-impose Section 232 tariffs on those products. Any retaliation by Canada and Mexico would then be limited to steel and aluminum products.

Section 301: U.S. and China Tariff Actions

The citations below provide information about the recently signed Phase One trade deal with China and address how Section 301 has been used in connection with trade laws and tariffs. Section 301 is described in a July 2019 CRS publication:

> Sections 301 through 310 of the Trade Act of 1974, as amended, are commonly referred to as "Section 301." It is one of the principal statutory means by which the United States enforces U.S. rights under trade agreements and addresses "unfair" foreign barriers to U.S. exports. Section 301 procedures apply to foreign acts, policies and practices that the USTR determines either (1) violate, or are inconsistent with, a trade agreement; or (2) are unjustifiable and burden or restrict U.S. commerce.

Note: See **Economic and Trade Agreement Between the U.S. and China (Phase One)** on page 13 for information about that agreement's impact on the tariffs described in this section.

U.S.-China Tariff Actions By the Numbers, Brock R. Williams and Keigh E. Hammond, Congressional Research Service, October 9, 2019.
https://crsreports.congress.gov/product/pdf/download/R/R45949/R45949.pdf/
From the report's conclusion: The United States and China have imposed a series of tariffs on one another's imports, and these tariffs now affect the majority of trade between the two countries. If all scheduled tariff increases take effect, by the end of 2019 nearly all U.S. imports from China will be subject to new or increased tariffs, most in the range of 15%-30%, while approximately two-thirds of China's imports from the United States will be subject to new or increased tariffs, most in the range of 5%-30%. The United States initially imposed tariffs primarily on intermediate goods, but consumer goods including cellphones, computers, and toys are scheduled to face new tariffs on December 15, 2019. China's retaliatory tariffs have largely targeted agricultural products, particularly soybeans, while aircraft and semiconductors have mostly been excluded from Chinese tariff increases. New Chinese tariffs on U.S. motor vehicle and parts exports are likely to be the most economically significant from China's next proposed retaliation. Both countries have excluded a limited number of specific products from implemented tariff increases. The trade values in this product have not been adjusted to account for these limited exclusions.

China's Retaliatory Tariffs on U.S. Agriculture: In Brief, Congressional Research Service, September 24, 2019.
https://crsreports.congress.gov/product/pdf/download/R/R45929/R45929.pdf/
From the publication:

> **Issues for Congress**
> Trade disputes have disrupted global markets and increased costs along many supply chains that run through China, thus raising uncertainty in the farm input and output sectors. Potential long-run benefits of the ongoing trade negotiations driving the tariff actions remain unclear, but in the short run, additional U.S. tariffs on imports from China may add to production costs, while Chinese retaliatory tariffs have dampened demand for U.S. agricultural exports. The resulting downward pressure on U.S. farm incomes has triggered increased federal assistance, *trade aid*, for the farm sector. Congress may use its oversight authority to monitor the implementation of the trade aid and the direction and status of other ongoing trade negotiations.
>
> In the long run, other countries may respond by expanding agricultural production, potentially displacing U.S. agricultural exports, to become larger food and agricultural suppliers to China. As one of the world's largest trading countries—for both agricultural and nonagricultural products—the United States has a major stake in the current trade dispute. The U.S. Congress may seek to use its legislative authority to influence and monitor ongoing trade disputes. For example, Senator [Rob] Portman and Representative [Ron] Kind have separately sponsored the Trade Security Act of 2019 to change the process by which Section 232 tariffs can be levied on U.S. imports.

Federal Agencies Addressing Trade

The citations below offer a pathway into the myriad federal agencies that have some connection to trade.

U.S. Government Trade Agencies, Office of the United States Trade Representative, Executive Office of the President, undated.
https://ustr.gov/about-us/trade-toolbox/us-government-trade-agencies
This web site lists 22 federal government agencies as wholly or partially dedicated to trade concerns. Many of these agencies also address a range of issues related to tariffs. The majority of agencies dedicated to trade function for the most part to establish and strengthen strong and beneficial trade relationships with other countries. A smaller number are charged with security and enforcement.

Foreign Trade, U.S. Census Bureau, U.S. Department of Commerce, undated.
https://www.census.gov/foreign-trade/index.html
The U.S. Census Bureau collects data for each decade's census and also about many aspects of national businesses and foreign trade. This portion of the bureau's web site provides a wide range of international trade data. *From the web site:*

> FOREIGN TRADE is the official source for U.S. export and import statistics and responsible for issuing regulations governing the reporting of all export shipments from the United States. If you're searching for import or export statistics, information on export regulations, commodity classifications, or a host of other trade related topics, this is the place to get the information you need.

Clicking on the "Data" link on the left navigation bar presents the U.S. International Trade Data portion of the web site (https://www.census.gov/foreign-trade/data/index.html), which offers an overview of the month's international trade, latest economic indicators, latest U.S. International Trade in Goods and Services Report, and information on the following:

- Balance by partner country.
- Country/product trade.
- State/metropolitan data.
- Historical series.
- Links to the global reach blog, newsletters, USA Trade Online, a free international trade database and other items.

Clicking on the "State/Metropolitan Area Trade Data" link (https://www.census.gov/foreign-trade/statistics/state/index.html) allows searches into state trade by commodity and country, U.S. trade in goods by state, and U.S. exports by metropolitan area.

International Markets and U.S. Trade, Economic Research Service, U.S. Department of Agriculture, updated January 21, 2020.
https://www.ers.usda.gov/topics/international-markets-us-trade/
Among the activities conducted by the Economic Research Service (ERS) are "in-depth analyses of the economies, agricultural sectors and policies of key trading partners, including Brazil, Canada, China, the European Union, India, Japan, Mexico and South Korea," and analysis of the "policies and regulations of major trading partners such as China, Japan, Mexico and the European Union."

The ERS collects data and produces periodic reports that are available at https://www.ers.usda.gov/topics/international-markets-us-trade/us-agricultural-trade/#periodic. Examples of the agency's data products and reports include the outlook for U.S. agricultural trade, state exports data and agricultural trade multipliers; the latter "provide estimates of employment and/or outputs of trade in farm and food products on the U.S. economy. These effects, when expressed as multipliers, reflect the amount of economic activity and/or jobs generated by agricultural exports." Below are examples of the information available:

World Agricultural Supply and Demand Estimates (WASDE), Office of the Chief Economist, U.S. Department of Agriculture, undated.
https://www.usda.gov/oce/commodity/wasde/
WASDE releases world agricultural supply and demand monthly estimates in four formats: PDF, XML, Excel and text. Also available are archive and historical revisions.

World Agricultural Supply and Demand Estimates (WASDE) at a Glance, Economic Research Service, U.S. Department of Agriculture, updated March 11, 2020.
https://www.ers.usda.gov/topics/farm-economy/commodity-outlook/wasde-projections-at-a-glance/
This web page presents average forecast price ranges for the following U.S. commodities each month in a tabular format, including price projections into the next year:

- Cotton.
- Feed grains and wheat.
- Rice.
- Soybeans.
- Average forecast U.S. price for all milk.
- Animal production (commercial slaughter: beef and pork; federally inspected production: meat/broiler and meat/turkey).

Outlook for U.S. Agricultural Trade, Economic Research Service, U.S. Department of Agriculture, updated March 9, 2020.
https://www.ers.usda.gov/topics/international-markets-us-trade/us-agricultural-trade/outlook-for-us-agricultural-trade/
This web page offers information regarding current trade and at-a-glance tables and charts from a specified edition of Outlook for U.S. Agricultural Trade.

U.S. Agricultural Trade at a Glance, Economic Research Service, U.S. Department of Agriculture, updated March 5, 2020.
https://www.ers.usda.gov/topics/international-markets-us-trade/us-agricultural-trade/us-agricultural-trade-at-a-glance/
This web page includes a discussion of the composition and destinations of U.S. agricultural exports, the share of exports in U.S. agricultural production and other topics.

United States International Trade Commission, U.S. International Trade Commission undated.
https://www.usitc.gov
As this web site indicates, the U.S. International Trade Commission (USITC) is "an independent, nonpartisan, quasi-judicial federal agency that fulfills a range of trade-related mandates." The agency provides "high-quality, leading-edge analysis of international trade issues to the President and the Congress. The Commission is a highly regarded forum for the adjudication of

intellectual property and trade disputes." A key part of its mission is to "provide independent analysis and information on tariffs, trade and competitiveness; and maintain the U.S. tariff schedule."

The web site's "Trade and Tariffs" page provides access to:

- Trade data, including:
  - USITC DataWeb, which is used to query U.S. merchandise trade and tariff data in a user-friendly web interface. Trade data for 1989 to the present are available on a monthly, quarterly, annual or year-to-date basis and can be retrieved using a sophisticated querying tool with features such as user-defined country and commodity groups.
  - U.S. merchandise trade data available through the data request tool.
  - Past, current and future U.S. tariff rates in multiple formats.
  - Correlations between classification systems and related data.
- Harmonized tariff information, including Harmonized Tariff Schedule (HTS), a system to classify categories of imported products, tariff-related web portals and supplementary tariff information.
- Tariff database data, including links to:
  - The external HTS system, which allows users to search the HTS database, view entire (or sections of) HTS releases and export the HTS data in various consumable formats.
  - A tariff database of U.S. tariff and trade data for specific products, including planned staged tariff reductions (where applicable) and three-year (plus year-to-date) import data.
  - Tariff annual data that can be downloaded along with a description of the fields.
  - A summary of U.S. tariff programs by product or country.
  - Future tariff rates under individual programs and agreements.
- Miscellaneous Tariff Bill information. This web page "contains resources and information for the Miscellaneous Tariff Bill (MTB) petition process being administered by the Commission in accordance with the American Manufacturing Competitiveness Act of 2016 (AMCA). The AMCA established a new process for the submission and consideration of requests for temporary duty suspensions and reductions." The commission accepted comments from January 10, 2020, to February 24, 2020.

Impact of Federal Trade Policies on Industries and Commodities

The citations below examine the impact of federal trade policies on a range of industries and commodities:

- Freight operations.
  - Overview of freight and tariffs.
  - Port of Los Angeles.
  - Air freight.
  - Railroad freight.
  - Trucking.
- Automobile industry.
- Commodities and retail (avocados, chicken, cotton, red meat and national retailers).

Freight Operations

Overview of Freight and Tariffs

"Q&A: Economist Talks Tariff Effects on Trucking, Rail and Shipping," Greg Miller, *American Shipper*, FreightWaves, Inc., June 28, 2019.
https://www.freightwaves.com/news/qa-economist-talks-tariff-effects-on-trucking-rail-and-shipping
FreightWaves covers comprehensive shipping news in all freight modes and is the provider of SONAR, a freight marketing forecasting platform (see *Related Resource* below). This online article provides an edited version of an interview conducted June 27, 2019, with Paul Bingham, described in the article as "one of the leading transportation economists in the U.S." Discussing how tariffs were affecting the transportation sector, Bingham said:

> "The irony of what happened in 2018 is that the tariffs acted as an external stimulus to the freight industry, because it brought forward some of the 2019 freight movements. Trucking rates were higher and capacity was tighter and volumes were larger and companies made more money in 2018 than they would have absent any kind of trade threat.
>
> "In 2019, we get the payback. Rates are not where they were and demand growth is not there and it's not just in trucking but also rail, and not just intermodal but also grain and soybean carloads. There are real impacts in 2019 lingering from 2018."

Related Resource:

FreightWaves SONAR, FreightWaves, Inc., 2020.
https://sonar.freightwaves.com/
From the web site: SONAR is the only platform with a complete view of everything moving in the global freight economy.

- World's leading Freight Forecasting Platform.
- Provides exclusive insights and actionable intelligence.
- Covers all modes: trucking, rail, ocean, air, warehousing and barge.
- Monitor all of [the] elements that impact the freight market—trucking spot and contract rates, fuel, demand, capacity, volumes, seasonality, weather, breaking news, risk-management, equipment values and the global freight marketplace.

Port of Los Angeles

By the Numbers: Jeopardizing the National Benefits of Trade Through America's Busiest Port Complex, BST Associates, The Port of Los Angeles, City of Los Angeles Harbor Department, November 2019.
https://kentico.portoflosangeles.org/getmedia/1d2ccc65-2cb2-48b3-93b4-3375021c0c6a/POLA-Tariff-Impact-Study-2019
This study provides comprehensive data about how the tariffs applied to products entering through Los Angeles Harbor affect workers and consumers in every state and in nearly every congressional district. Extensive tables and charts are included. *From the executive summary:*

> Most of the import tariffs that have been imposed or proposed are directed at China, including a portion of the Section 232 tariffs and all of the Section 301 tariffs. China accounts for most of the imports moving through the San Pedro Bay ports, including 57% of containerized imports (by value) and 54% of total waterborne imports.

The share of import value that may be impacted by tariffs is estimated to be 56.1% of containerized cargo, 16.7% of non-containerized cargo, and 52.7% of total cargo. China accounts for more than 98% of the impacted value, due to its share of import cargo value and to the number of commodities that are subject to tariffs.

China also accounts for the largest share of waterborne exports moving through San Pedro Bay ports, although not as large a share as it does for imports. China accounts for 31.8% of containerized export tonnage, 15.9% of non-containerized export tonnage, and 27.5% of total waterborne export tonnage.

The share of San Pedro Bay export value that is subject to retaliatory tariffs is estimated to be 29.3% for containerized cargo, 23.8% for non-containerized cargo, and 28.8% of total cargo.

The number of jobs impacted was estimated for each state, and for the United States.

- An estimated 1.26 million jobs in the United States are supported by imports that are subject to the tariffs and that move through the San Pedro Bay ports.
- An estimated 206,790 jobs are supported by the exports that are subject to retaliatory tariffs.

The report's analysis includes three parts:

- Chapter 1 estimates how much of the trade that moves through the San Pedro Bay ports may be impacted by the tariffs.
- Chapter 2 estimates the economic impacts associated with the affected trade for each of the 50 states and District of Columbia.
- Chapter 3 estimates the value of impacted trade by political jurisdiction (state, congressional district, etc.).

Tariff impacts were based on trade values and volumes for 2018. The impacts of tariffs were estimated using:

- All of the Section 232 and 301 import tariffs imposed or proposed by the U.S.
- All of the export tariffs imposed or proposed by trading partners in response to the Section 232 and 301 tariffs.

More information about the impact of tariffs on the port is available at https://www.portoflosangeles.org/tariffshurt, including the resources cited below.

Related Resources:

Percent Value of Containerized Trade and Jobs Related to Trade Affected by Tariffs Through the L.A. Port Complex, City of Los Angeles Harbor Department, 2019.
https://kentico.portoflosangeles.org/getmedia/2e0153d2-6166-4007-a70f-603d6b0adb72/POLA-Tariff-Impact-Map-2019
This map shows the jobs and value of containerized trade related to trade affected by tariffs by region (North West; Great Plains; Great Lakes; Atlantic Seaboard; South West; South Central; South East; and Alaska and Hawaii).

Tariffs and Trade, Port of Los Angeles, last updated December 2019.
https://www.youtube.com/playlist?list=PLnIXI2uQ2olkwsXtFCrT39jXH2n1mzz6g
This YouTube channel offers seven videos showing the port's Executive Director Gene Seroka addressing the impact of tariffs in a variety of venues.

"Port of LA Warns of Sharp Q4 Volume Drop on Tariffs," Ari Ashe, *Journal of Commerce* (online), November 12, 2019.
https://www.joc.com/port-news/us-ports/port-los-angeles/port-la-warns-sharp-q4-volume-drop-tariffs_20191112.html?ite=34971&ito=2072&itq=dbd97e3d-cbb0-440e-9d3c-e875b7d551fb&itx%5Bidio%5D=1844369
From the online article: The Port of Los Angeles is bracing for a 10 percent year-over-year decline in imports in the fourth quarter, after laden volumes through the LA-Long Beach gateway plunged 12.4 [percent] in October.

Additionally, Gene Seroka, executive director of the [P]ort of LA, said conversations with Chinese factory managers over the last four weeks give little hope for a pre-Lunar New Year surge in January.

"We are not seeing any type of advancing of cargo like we saw last year in the third and fourth quarters because inventories haven't been worked down fast enough," said Seroka.

He said he saw no signs of a rise in manufacturing activity during a recent two-week visit to China ahead of the next round of United States tariffs due to go into effect Dec. 15—a 25 percent levy on hundreds of consumer and industrial goods. Seroka spoke at an event in Washington, D.C., to unveil a study entitled "By the Numbers: Jeopardizing the National Benefits of Trade through America's Busiest Port Complex."

The study said tariffs on U.S. imports from China threaten nearly 1.5 million U.S. jobs and more than $186 billion of economic activity. Tariffs have already cost U.S. companies some $38 billion, researchers said, not all of which can be passed down the supply chain to the consumer.

Tariffs also mean fewer headhaul opportunities out of the West Coast for truck drivers and empty miles on backhauls as retaliatory tariffs in China lower the number of exports from California.

Container Statistics: Latest Monthly Container Counts, The Port of Los Angeles, Los Angeles, California, undated.
https://www.portoflosangeles.org/business/statistics/container-statistics
This web site presents container counts on loaded imports and exports, showing a percent change from year to year. Statistics date back to 1981, with monthly breakdowns for some years. Container counts are measured in 20-foot equivalent units (TEUs), a "standardized maritime industry measurement used when counting cargo containers of varying lengths."

Air Freight

"Trade War Impacting Air Freight Demand," Press Release, International Air Transport Association, September 5, 2019.
https://www.iata.org/en/pressroom/pr/2019-09-05-01/
From the press release: The International Air Transport Association (IATA) released data for global air freight markets showing that demand, measured in freight tonne kilometers (FTKs),

contracted by 3.2% in July 2019, compared to the same period in 2018. This marks the ninth consecutive month of year-on-year decline in freight volumes.

Air cargo continues to suffer from weak global trade and the intensifying trade dispute between the U.S. and China. Global trade volumes are 1.4% lower than a year ago and trade volumes between the U.S. and China have fallen by 14% year-to-date compared to the same period in 2018.

The global Purchasing Managers Index (PMI) does not indicate an uptick. Its tracking of new manufacturing export orders has pointed to falling orders since September 2018. And for the first time since February 2009 all major trading nations reported falling orders.

Freight capacity, measured in available freight tonne kilometers (AFTKs), rose by 2.6% year-on-year in July 2019. Capacity growth has now outstripped demand growth for the 9th consecutive month.

"Trade tensions are weighing heavily on the entire air cargo industry. Higher tariffs are disrupting not only transpacific supply chains but also worldwide trade lanes. While current tensions might yield short-term political gains, they could lead to long-term negative changes for consumers and the global economy. Trade generates prosperity. It is critical that the U.S. and China work quickly to resolve their differences," said Alexandre de Juniac, IATA's Director General and CEO.

"Air Cargo Carriers Caught in Crossfire of US–China Trade War," *Transport Topics*, June 3, 2019.
https://www.ttnews.com/articles/air-cargo-carriers-caught-crossfire-us-china-trade-war
From the article: Global cargo demand fell 4.7% in April from a year earlier, according to the International Air Transport Association, equaling a February drop that was the worst in three years, with the biggest declines coming from manufacturing hubs in Asia and Europe. Freight operators are bracing for more disruption as tensions between Washington and Beijing ratchet up, and trade experts warn that declining shipments—worsened by Brexit jitters and simmering tensions in the Middle East—indicate a slowdown in global growth.

Railroad Freight

Freight Rail and USMCA/International Trade, Association of American Railroads, undated.
https://www.aar.org/issue/freight-rail-international-trade/
From the web site:

> **Freight Rail Policy Stance:** Freight railroads support free and fair trade and were proponents [of] the U.S.-Canada-Mexico Agreement (USMCA), which is now the law of the land. The pact strengthened ties between North American trading partners and features important updates to the North American Free Trade Agreement (NAFTA), a wildly successful agreement that expanded economic opportunity in the U.S. for railroads and their customers. Broadly, railroads oppose policies that restrict access to global markets, including the application of tariffs that impose additional costs to rail shippers and industry business operations.

Related Resource:

Freight Rail and USMCA/International Trade, Association of American Railroads, March 2018.
https://www.aar.org/wp-content/uploads/2018/03/AAR-Trade-Issue.pdf
This one-page fact sheet on USMCA includes the following:

- **Railroad Impact**: An impressive 42% of rail carloads and intermodal units and 35% of annual rail revenue are directly associated with international trade. About 50,000 rail jobs, worth over $5.5 billion in annual wages and benefits, depend directly on international trade.
- **National Impact**: Trade across the continent, which is worth more than $1 trillion, supports 14 million U.S. jobs and saves consumers at least $7 billion annually.
- **Agriculture Impact**: One in every 10 planted acres in the U.S. feeds people in Mexico and Canada.
- **Auto Impact**: According to the International Trade Administration's 2016 Top Markets Report, the auto industry accounts for more than 7 million jobs in the U.S. In 2015, U.S. companies exported over $30 billion in auto parts to Canada and more than $29 billion in U.S. parts to Mexico.

"Rail Industry Feeling Impact of Trade War With China," Dan Zukowski, *Trains*, Kalmbach Media, June 24, 2019.
https://trn.trains.com/news/news-wire/2019/06/24-rail-industry-feeling-impact-of-tariffs
From the article: The U.S. now covers 15% of all goods with some form of trade protection. In exchange, China has placed tariffs on nearly 3,000 U.S. products, from lobsters to railway components and aircraft.

There's no question the tariffs are having an effect, but it may not be the one intended. U.S. Department of Commerce data show the total volume of trade in goods between the U.S. and China declined almost 15% through April. Imports are down 13%, but exports took a 21% hit. Many [Chinese] goods are shipped to and from U.S. ports by rail. U.S. intermodal rail traffic is off 2.8% so far this year, according to data from the Association of American Railroads [AAR]. The AAR blames higher tariffs in part for the decline.

To get ahead of steeply rising U.S. tariffs, large retailers and manufacturers accelerated purchase orders, which led to a record volume of traffic at the Port of Los Angeles in May. That quickly filled up regional warehouses and distribution centers, disrupting logistics.

But that short-term surge doesn't change the longer trend, and could portend a steeper drop-off in future months.

In a June 17, 2019, letter from Eugene Seroka, executive director of the Port of Los Angeles, to U.S. Trade Representative Robert Lighthizer, Seroka stated that current and proposed import tariffs will impact 64 percent of container volume at the Ports of Los Angeles and Long Beach.

Many of those containers arriving on the West Coast from China continue their journey on Union Pacific [UP] and BNSF trains. For the second quarter through June 1, UP saw container traffic off 4% while BNSF reported its consumer products volume down 6%, ascribed to lower intermodal traffic.

"Tariff Rush Drives Record LA-LB Transloading," Bill Mongelluzzo, *Journal of Commerce* (online), March 25, 2019.
https://www.joc.com/rail-intermodal/intermodal-shipping/tariff-rush-drives-record-la-lb-transloading_20190325.html
From the online article: The upward trend in Los Angeles-Long Beach toward transloading of containerized imports into domestic containers for shipment inland spiked 5.3 percentage points last year owing to the front-loading of spring merchandise caused by the U.S.-China trade war.

"It was primarily the tariffs," said John Doherty, CEO of the Alameda Corridor Transportation Authority (ACTA). The transloading of imports from marine containers to 53-foot domestic containers for intermodal transport to the eastern half of the country reached a record 3,002,000 TEU in 2018. Transloaded shipments as a percentage of all containers that left Southern California by rail was a record 52.2 percent, according to ACTA numbers.

Total intermodal traffic, including intact containers moving inland, was up last year because retailers and manufacturers shipped more merchandise or components in November and December when they were concerned that 25 percent tariffs on more than $200 billion of a number of imports from China would take effect on Jan. 1. The tariffs were initially delayed until March 1 and were delayed once again as U.S. and Chinese negotiators continue to seek a trade agreement.

"They were just trying to get everything in before the tariffs," Doherty said. The total number of containers leaving Southern California by rail was 5,748,000, an increase of 3 percent from 2017. Total imports through the largest U.S. port complex in 2018 were 8.97 million, up 4.5—percent year over year.

Freight Railroads and International Trade, Association of American Railroads, February 2019.
https://www.aar.org/wp-content/uploads/2018/08/Backgrounder-Freight-Railroads-and-International-Trade-August-2018.pdf
From the summary: International trade plays a massive and growing role in the U.S. economy. For the U.S. economy as a whole, exports and imports combined are equivalent to around 27 percent of GDP, up from around 17 percent 30 years ago. For U.S. freight railroads, international trade plays an even greater role: at least 42 percent of the carloads and intermodal units railroads carry, and more than 35 percent of rail revenue, are directly associated with international trade. (If freight indirectly associated with trade were included, the rail figures would be even higher.)

Turning our backs on international trade—for example, by imposing excessive tariffs on imports—does far more harm than good by worsening our nation's economy, weakening key sectors, and diminishing our quality of life. Policymakers should not deprive Americans of the tremendous advantages brought about by engaging fully in the global economy.

Trucking

Trucking's Best Load Board: Where Freight Does Business, DAT Solutions LLC, 2020.
https://www.dat.com/
From the web site:

> DAT operates the largest truckload freight marketplace in North America. Transportation brokers, carriers, news organizations and industry analysts rely on DAT for market trends

and data insights derived from 183 million freight matches and a database of $68 billion of market transactions.

This site provides links to data analytics that can be used for rate forecasting and to generate custom reports, and weekly supply information on van, reefers and flats that can be used to identify trucking trends.

"2019: Freight Market Slowdown, Tariffs Diminished Trucking Industry's Performance," Jim Stinson, *Transport Topics*, December 20, 2019.
https://www.ttnews.com/articles/2019-freight-market-slowdown-tariffs-diminished-trucking-industrys-performance
From the article: A year ago, motor carriers, logistics firms and freight shippers were buoyed by many of the same factors that lifted their customers: U.S. consumers spending big on e-commerce, a lower corporate tax rate, and affordable and abundant fuel. But after last year's rush to capitalize on that booming market, carriers this year found themselves with an abundance of capacity and fewer loads—along with a host of other challenges.

A lengthy trade spat between the United States and China—which had begun to thaw as 2019 drew to a close—caused freight to slow during the year, according to Bob Costello, chief economist for American Trucking Associations. Costello also blamed declines in U.S. manufacturing for lower freight volumes in 2019. All of this caused rates to soften—especially spot rates, Costello said, even as contractual rates remained fairly consistent.

Still, as time wore on, this confluence of factors took a toll on the industry. By Sept. 30, 795 trucking companies had shut down or declared bankruptcy, according to Broughton Capital. That was more than double the 310 in all of 2018, the lowest annual number on record.

"Truckers Hail Deal on USMCA Trade Agreement: Trade Pact Will Provide Growth, Certainty to Industry and Economy," Press Release, American Trucking Associations, December 10, 2019.
https://www.trucking.org/news-insights/truckers-hail-deal-usmca-trade-agreement
From the press release: Today, American Trucking Associations leaders hailed an agreement between the United States, Mexico and Canada that paves the way for USMCA's ratification in Congress.

"Now with a clear path to USMCA's ratification, this is an historic victory for truck drivers, motor carriers and the entire American economy," said ATA President Chris Spear. "The vast majority of trade in North America moves on truck, with $772 billion worth of goods crossing our borders with Mexico and Canada every year. [USMCA] will provide the certainty our industry needs while ensuring the United States remains competitive on the world stage."

"Trade is a tremendous driver of revenue and creator of jobs in trucking, which is why passing USMCA has been so important to our industry," said ATA Chairman Randy Guillot, president of Triple G Express Inc., New Orleans, Louisiana. "Trade with our two closest neighbors supports nearly 90,000 Americans in trucking-related jobs and generates $12.62 billion in annual revenue for our industry. As USMCA deepens our economic ties, we expect these figures—like our economies—to continue to increase."

Automobile Industry

"Trump Can No Longer Impose 'Section 232' Auto Tariffs After Missing Deadline: Experts," David Lawder, Reuters, November 19, 2019. https://www.reuters.com/article/us-usa-trade-autos/trump-can-no-longer-impose-section-232-auto-tariffs-after-missing-deadline-experts-idUSKBN1XT0TK
From the online article: The clock has run out on President Donald Trump's "Section 232" tariffs on imports of foreign-made cars and auto parts, after he failed to announce a decision by a self-imposed deadline, trade law experts say.
….

The Trump administration launched its Section 232 probe of foreign autos in May 2018. Six months ago Trump agreed with an administration study that some imported vehicles and components are "weakening our internal economy" and could harm national security. He has threatened to tax them by as much as 25%.

But he took no action on Nov. 14, the deadline established by the act to take action, puzzling automakers.

Bolstering the contention by trade experts that the president's hands are now tied is a new U.S. trade court ruling, published on Monday, that Trump previously exceeded the time limit on his Section 232 authority when he tried to double the tariff on steel imports from Turkey last year.

"NADA Announces Support for USMCA and Urges Swift Congressional Passage," Jared Allen, News Post, National Automobile Dealers Association (NADA), October 9, 2019. https://blog.nada.org/2019/10/09/nada-announces-support-for-usmca-and-urges-swift-congressional-passage/
From the news post: On Tuesday, NADA 2019 Chairman Charlie Gilchrist announced the organization's support for the United States-Mexico-Canada Agreement (USMCA) at the Automotive Press Association luncheon in Detroit, Mich.

"Congress should pass USMCA to preserve competition in the auto industry, and to enable dealers to continue providing affordable vehicles to millions of Americans without interruption—and they should do so expeditiously," said Gilchrist, who represents new-car dealers in Northern Texas on NADA's board.
….

And he [Gilchrist] stressed that approval of USMCA will also reduce the threat of any future tariffs on vehicles and parts by exempting two of the largest sources of vehicle and parts sold by franchised dealers in the U.S.

U.S. Consumer and Economic Impacts of U.S. Automotive Trade Policies, Yen Chen, Kristin Dziczek, Michael Schultz and Bernard Swiecki, Center for Automotive Research, February 2019.
https://www.cargroup.org/wp-content/uploads/2019/02/US-Consumer-Economic-Impacts-of-US-Automotive-Trade-Policies-.pdf
From the executive summary: A decision to impose tariffs on U.S. imports of autos and auto parts under Section 232 of the Trade Expansion Act of 1962, as amended (hereafter, "Section 232 autos and auto parts tariffs"), could far outweigh the impact of any previous trade action on the U.S. automotive industry, and on related U.S. consumer prices, sales, and employment. Moreover, this is true even though the implementation of the new United States Mexico Canada

Agreement (USMCA) and other trade agreements will partially mitigate the effects of these tariffs.

The Center for Automotive Research (CAR) looked at 10 different policy scenarios, projecting different combinations of policies and U.S. trade deals including: Section 232 autos and auto parts tariffs; the USMCA; the current (as of January 21, 2019) Section 301 tariffs on Chinese imports; and the current Section 232 steel and aluminum tariffs. Across all these policy scenarios, the impact on the U.S. new vehicle market and the broader U.S. economy is (1) substantial and (2) nearly entirely determined by the severity of the potential Section 232 tariffs on imported autos and auto parts.

Commodities and Retail

Avocados

"California Hass Avocados Included in U.S.–China Phase One Agreement," Industry Advocacy News, California Avocado Commission, January 15, 2020.
https://www.californiaavocadogrowers.com/articles/california-hass-avocados-included-us-%E2%80%93-china-phase-one-agreement
From the news post: On January 15, 2020, an Economic and Trade Agreement between the United States of America and the People's Republic of China was finalized. Within the Horticultural Products agreement, one of the four Key Achievements is China's commitment to "Sign and implement a phytosanitary protocol to allow the importation of California Hass avocados into China."

The California Avocado Commission has maintained pressure on the U.S. administration to ensure California Hass avocados remain a top priority in the China Phase One agreement. "While there are no guarantees, the inclusion of California Hass avocados in the agreement is a very positive sign that China market access may soon occur," said Tom Bellamore, Commission president. "Hass avocado consumption in China has continued to show tremendous growth and may provide a valuable market option for California avocado growers in the future," he said.

We will continue to work with the administration to finalize the California Hass avocado trade protocol with China and secure market access. One of the necessary final steps would be the registration/certification of California packing facilities interested in exporting to China, and the Commission is working with interested packers now. The Commission initiated the process to gain China market access in 2005. Updates will be provided as new information becomes available.

Chicken

"USMCA Agreement a Win for US Chicken Producers; NCC Urges Swift Passage," News Post, National Chicken Council, December 10, 2019.
https://www.nationalchickencouncil.org/usmca-agreement-a-win-for-us-chicken-producers-ncc-urges-swift-passage/
From the news post: The National Chicken Council (NCC) today issued the following statement after the announced agreement on the U.S.-Mexico-Canada Agreement (USMCA):

> "USMCA will maintain and improve market access for U.S. chicken in our top two markets in terms of value, Mexico and Canada," said NCC President Mike Brown. "It will also positively impact both the U.S. agriculture sector and the broader national economy.

> "On behalf of America's chicken producers, I want to thank President Trump for his leadership and for the tireless work of the administration, including Agriculture Secretary Perdue and U.S. Trade Representative Lighthizer. After a year of negotiations, the time to act is now. We encourage swift Congressional consideration and passage of USMCA before Christmas."

"US Chickens Headed to China After Beijing Lifts 5-Year Ban," Paul Wiseman, *AP News*, The Associated Press, November 14, 2019.
https://apnews.com/258f7bdafc064734acac0b2a79a7713a
From the article: China is lifting a five-year ban on U.S. poultry, a goodwill gesture at a time when the world's two biggest economies are trying to finalize a tentative trade deal.

China had blocked U.S. poultry imports a month after an outbreak of avian influenza in December 2014, closing off a market that bought more than $500 million worth of American chicken, turkey and other poultry products in 2013.

"The United States welcomes China's decision to finally lift its unwarranted ban on U.S. poultry and poultry products. This is great news for both America's farmers and China's consumers," said U.S. Trade Representative Robert Lighthizer, who predicted that U.S. poultry exports to China could surpass $1 billion a year.

Cotton

"China Phase 1 Trade Deal Holds Promise for U.S. Cotton," Marjory Walker and T. Cotton Nelson, News Release, National Cotton Council of America, January 15, 2020.
http://www.cotton.org/news/releases/2020/phone.cfm
From the news release: The National Cotton Council [NCC] believes the Phase 1 trade deal with China signed today by President Trump could provide a much-needed boost to U.S. cotton exports.

The Phase 1 agreement includes a chapter on agriculture with Chinese purchases of U.S. products intended to reach at least $40 billion per year starting in 2020. However, the overall impact for cotton remains uncertain as commodity-specific details have not been released.

NCC Chairman Mike Tate, an Alabama cotton producer who was at the White House for the signing, said, "While we welcome Phase I and are hopeful about the potential for future increased sales to China, U.S. cotton producers continue to face a challenging economic climate. As such, we encourage President Trump and USDA [U.S. Department of Agriculture] to follow through with the third tranche of MFP [Market Facilitation Program] payments as quickly as possible."

Tate was referring to the Administration's $16 billion trade assistance package through the Market Facilitation Program to help mitigate China's retaliatory tariffs. He said this assistance, administered by USDA, has been very timely with U.S. cotton's economic health deteriorating as market share in China is being lost to Brazil and Australia. The first MFP tranche of payments came in August and the second tranche in November.

"2019: The Costs of Continued Frustration for Cotton," Jim Steadman, *Cotton Grower*, December 30, 2019.
https://www.cottongrower.com/cotton-news/2019-the-costs-of-continued-frustration-for-cotton/
From the online article: Dr. Jody Campiche, vice president, Economics and Policy Analysis for the National Cotton Council, said the application of the 25% retaliatory tariff on U.S. cotton has significantly affected the U.S. cotton market over the last year.

"For more than a decade, China has been a key market for U.S. cotton fiber exports, and currently ranks as U.S. cotton's second largest export destination," she said. "For the 2018 and 2019 crop years, U.S.-origin cotton has been less competitive relative to growths from countries such as Australia, Brazil and India due to the tariff's imposition.

"The current trade dispute with China and the resulting retaliatory tariffs on U.S. cotton and cotton yarn are increasingly harming the U.S. cotton industry and our long-term market share in China," she continued. "The immediate impact has been a decline in market share of China's cotton imports from 45% in 2017 to 18% in 2018, while Brazil's market share increased from 7% in 2017 to 23% in 2018.

Red Meat

Annual Report 2019: Putting U.S. Red Meat on the World's Table, U.S. Meat Export Federation, undated.
https://www.usmef.org/downloads/2019-USMEF-Annual-Report.pdf
This annual report includes commentary and data regarding the impacts of tariffs on U.S. red meat exports, including the following excerpts from the opening comments by the federation's president:

> Thanks to a new trade agreement with Japan, we no longer face an ever-widening tariff disadvantage in our largest value market. Congress is poised to ratify the U.S.-Mexico-Canada Agreement, which will not only secure long-term, duty-free access for U.S. pork, beef and lamb but also restore certainty and confidence for our North American customer base.
>
> ….
>
> China remains a bit of a wild card, with U.S. pork and beef still facing significant tariff and non-tariff barriers in a market with massive potential for further growth. But trade officials from both countries recently announced a "Phase One" trade agreement that could bolster red meat exports to China.

Statistics and Trade Access, U.S. Meat Export Federation, 2020.
https://www.usmef.org/usmef-statistics-and-trade-access/
This web page provides export statistics, including latest export results, a month-by-month archive of export data, recent export trends, data on exports of U.S. feedgrains and oilseeds through red meat, and weekly export sales data. Also included are links to import duties by country and the Agricultural Tariff Tracker (see *Related Resource* below).

Related Resource:

> **Agricultural Tariff Tracker**, Foreign Agricultural Service, U.S. Department of Agriculture, undated.
> https://apps.fas.usda.gov/agtarifftracker/Home/Search
> This web application "queries tariff schedules and rate information resulting from Free Trade Agreements (FTAs). All exporters/importers need to determine how competitive their product will be in a market. One of the key cost components is the import tariff that will be applied to a product by the importing country. The FAS Agricultural Tariff Tool will allow exporters/importers to quickly and easily determine the tariff rate that will be applied to their product by the importing country."

Retaliatory Duties on U.S. Beef and Pork Products as of February 6, 2020, U.S. Meat Export Federation, February 6, 2020.
https://www.usmef.org/downloads/2020-Retaliatory-Duties-Effective-Feb.-14-2020.pdf
This document, which appears to be updated frequently, shows retaliatory duties assessed by China, Canada and Mexico on U.S. beef and pork products as of the most recent posting date.

National Retailers

"Retailers Welcome Phase One Trade Deal With China But Say Remaining Tariffs Must End," Press Release, National Retail Federation, January 15, 2020.
https://nrf.com/media-center/press-releases/retailers-welcome-phase-one-trade-deal-china-say-remaining-tariffs-must
From the press release: The National Retail Federation [NRF] today welcomed the signing of a "phase one" trade agreement between the United States and China but said work remains to be done to end the trade war between the two countries.

"NRF strongly supports the administration's efforts to address China's unfair trading practices but we hope this is the first step toward eliminating all of the tariffs imposed over the past two years," NRF President and CEO Matthew Shay said. "The trade war won't be over until all of these tariffs are gone. We are glad to see the phase one deal signed, and resolution of phase two can't come soon enough."

….

As part of the deal, the United States will cut in half 15 percent tariffs imposed on a wide range of consumer goods imposed in September and canceled another round that was set to take effect in December, but others remain in effect.

"The Impact of Tariffs on Small Business: NRF Amplifying the Voices of Business Owners Harmed by Tariffs," National Retail Federation, undated.
https://nrf.com/hill/policy-issues/impact-tariffs-small-business
This web page presents 10 short videos of small business owners across the country discussing the harmful effects of tariffs on their businesses. The videos address the following topics:

- A tax paid by American consumers (Reheboth Beach, Delaware, clothing store).
- Trade war will hurt everything in the U.S. (Kentucky crafts store).
- Tariffs undermine growth (Lansing, Michigan, musical instruments).
- Tariffs hurt the little guy (Los Angeles, gift shop).
- Tariffs make "made in the US" model too costly (California sportswear manufacturer).
- Main Street impact (Union, Maine, farm equipment).

- A huge unknown (Lubbock, Texas, luggage shop).
- A tax on the consumer (Chicago pools and spas).
- No time to plan (Minnesota toys).
- There has to be a better way (Lincoln, Nebraska, TV and appliance store).
- No wiggle room to absorb price increases (Queens, New York City, shoes and accessories).

Survey of Practice

An online survey was distributed to a small group of state departments of transportation (DOTs) and selected California port authorities and airports. The survey sought information about agency experience with federal trade policy impacts to the freight system, including the impact of trade tariffs on goods movement, and the economic impacts and opportunities of current trade policies, in particular tariffs, on the freight sector.

Survey questions are provided in Appendix A. The full text of survey responses is presented in a supplement to this report.

Summary of Survey Results

The survey received four responses:

- State agencies:
    - Oregon DOT.
- California ports and airports:
    - John Wayne Airport (Orange County).
    - Ontario International Airport Authority (City of Ontario and San Bernardino County).
    - Port of Los Angeles.

After acknowledging that the DOT has not attempted to identify the impacts of tariffs on goods movement or the transportation system generally, the Oregon DOT respondent noted that the agency's forecast models rely on national and state forecasts, which account for many factors, including national policy. With respect to freight, the DOT's freight model uses Freight Analysis Framework Version 4 (FAF4) data to forecast Oregon's aggregate freight movement, which is disaggregated into finer spatial detail to create network demand.

Only the Port of Los Angeles respondent provided details of the impact of federal trade policies, including tariffs, on the agency.

Impact of Federal Trade Policies: Port of Los Angeles

The respondent identified the following impacts to the freight system in connection with current trade policies, particularly tariffs:

- **Decrease** estimated **between 1% and 10%** in **goods movement flows** at state gateways (seaports, airports, land ports of entry) for each of the following modes:
    - Rail.

    - Sea cargo.
    - Truckloads.
- **Decrease** estimated **between 1% and 10%** associated with the **freight transportation system** for each of the following modes:
    - Highway.
    - Rail.
    - Seaports.

While the agency has identified the total amount or value of cargo associated with increased tariffs, the respondent noted that the Port of Los Angeles has not estimated the reduction of cargo moving through the port related to tariffs.

The survey respondent recommended reviewing a November 2019 study conducted for the Port of Los Angeles, *By the Numbers: Jeopardizing the National Benefits of Trade Through America's Busiest Port Complex*, for more information about the impacts of tariffs on the port (see page 23 of this Preliminary Investigation for this publication and related materials). The study, which assesses the impacts of tariffs on the Port of Los Angeles and beyond, is described in a press release as showing "how many jobs and how much sales, income and taxes are at risk for every state due to tariffs, based on international trade through the San Pedro Bay ports of Los Angeles and Long Beach. The study also shows the economic benefits of these imports and exports to each congressional district and identifies the percentage burdened by tariffs."

Contacts

CTC contacted the individuals below to gather information for this investigation.

State Agencies

Oregon

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Appendix A: Survey Questions

The following survey was distributed to selected state departments of transportation and port authorities and airports in California. The survey sought information about federal trade policy impacts to the freight system, including the impact of trade tariffs on goods movement and the economic impacts and opportunities of current trade policies, in particular tariffs, on the freight sector.

Federal Trade Policy Impacts to the Freight System

1. Has your agency attempted to identify the impacts of current trade policies (in particular, tariffs) on **goods movement flows** at state gateways (seaports, airports, land ports of entry)?
    - Yes (please respond to **Question 2**)
    - No (please skip to **Question 3**)
2. Please describe how **trade tariffs have impacted goods movement** in your state or service area for the modes listed below.

    Truckloads
    - Decreased (estimated between 1% and 10%)
    - Decreased (estimated by more than 10%)
    - No notable change
    - Increased (estimated between 1% and 10%)
    - Increased (estimated by more than 10%)

    Air cargo
    - Decreased (estimated between 1% and 10%)
    - Decreased (estimated by more than 10%)
    - No notable change
    - Increased (estimated between 1% and 10%)
    - Increased (estimated by more than 10%)

    Sea cargo
    - Decreased (estimated between 1% and 10%)
    - Decreased (estimated by more than 10%)
    - No notable change
    - Increased (estimated between 1% and 10%)
    - Increased (estimated by more than 10%)

    Other modes of freight (please describe and select the appropriate option below)
    - Decreased (estimated between 1% and 10%)
    - Decreased (estimated by more than 10%)
    - No notable change
    - Increased (estimated between 1% and 10%)
    - Increased (estimated by more than 10%
3. Has your agency attempted to identify the **impacts of current trade policies (in particular, tariffs)** on the **freight transportation system** in your state or service area?
    - Yes (please respond to **Question 4**)
    - No (please skip to **Question 5**)

4. Please describe the **impacts of current trade policies (in particular, tariffs)** to the **modes** listed below.

   Highway
   - Decreased (estimated between 1% and 10%)
   - Decreased (estimated by more than 10%)
   - No notable change
   - Increased (estimated between 1% and 10%)
   - Increased (estimated by more than 10%)

   Rail
   - Decreased (estimated between 1% and 10%)
   - Decreased (estimated by more than 10%)
   - No notable change
   - Increased (estimated between 1% and 10%)
   - Increased (estimated by more than 10%)

   Airports
   - Decreased (estimated between 1% and 10%)
   - Decreased (estimated by more than 10%)
   - No notable change
   - Increased (estimated between 1% and 10%)
   - Increased (estimated by more than 10%)

   Seaports
   - Decreased (estimated between 1% and 10%)
   - Decreased (estimated by more than 10%)
   - No notable change
   - Increased (estimated between 1% and 10%)
   - Increased (estimated by more than 10%)

   Access to gateways/ports of entry
   - Decreased (estimated between 1% and 10%)
   - Decreased (estimated by more than 10%)
   - No notable change
   - Increased (estimated between 1% and 10%)
   - Increased (estimated by more than 10%)

   Other modes (please describe and select the appropriate option below)
   - Decreased (estimated between 1% and 10%)
   - Decreased (estimated by more than 10%)
   - No notable change
   - Increased (estimated between 1% and 10%)
   - Increased (estimated by more than 10%)

5. Has your agency attempted to identify the **economic impacts and opportunities** of current trade policies (in particular, tariffs) on the **freight sector** in your state or service area?
   - No
   - Yes (please describe)

6. Has your agency considered how the new United States-Mexico-Canada Agreement may impact freight operations in your state or service area?
    - No
    - Yes (please describe)

Wrap-Up

Please use this space to provide any comments or additional information regarding federal trade policy impacts to the freight system that are of concern to your agency.