Congressional Research Service
Informing the legislative debate since 1914

Trump Administration Tariff Actions: Frequently Asked Questions

February 22, 2019

Congressional Research Service
https://crsreports.congress.gov
R45529

CRS REPORT
Prepared for Members and
Committees of Congress

Congressional Research Service
Informing the legislative debate since 1914

SUMMARY

R45529

February 22, 2019

Brock R. Williams, Coordinator
Specialist in International Trade and Finance

Cathleen D. Cimino-Isaacs
Analyst in International Trade and Finance

Rachel F. Fefer
Analyst in International Trade and Finance

Keigh E. Hammond
Research Librarian

Vivian C. Jones
Specialist in International Trade and Finance

Wayne M. Morrison
Specialist in Asian Trade and Finance

Andres B. Schwarzenberg
Analyst in International Trade and Finance

Trump Administration Tariff Actions: Frequently Asked Questions

The Constitution grants Congress the sole authority over the regulation of foreign commerce. Over the past several decades, Congress has authorized the President to adjust tariffs and other trade restrictions in certain circumstances through specific trade laws. Using these delegated authorities under three trade laws, President Trump has imposed increased tariffs, largely in the range of 10% - 25%, on a variety of U.S. imports to address concerns related to national security, injury to competing industries, and China's trade practices on forced technology transfer and intellectual property rights, among other issues. Several U.S. trade partners argue that these tariff actions violate existing U.S. commitments under multilateral and bilateral or regional trade agreements and have imposed tariffs on U.S. exports in retaliation. Congress continues to actively examine and debate these tariffs, and several bills have been introduced either to expand, limit, or revise existing authorities.

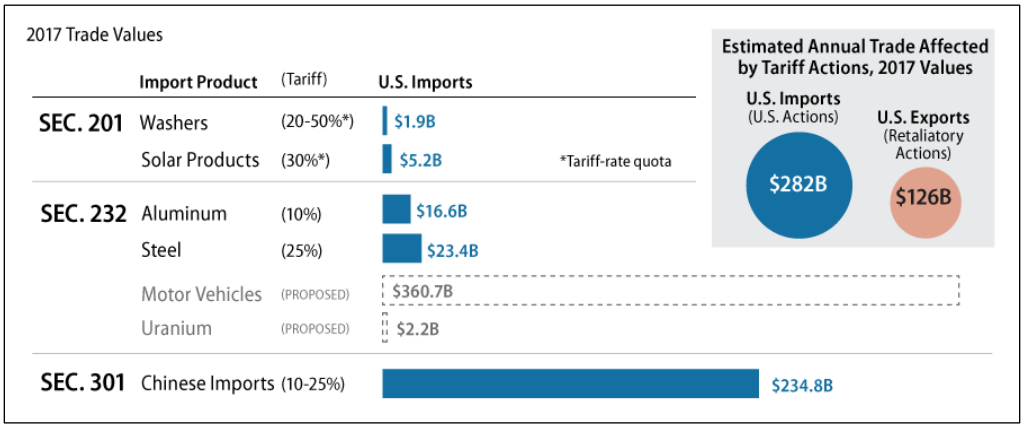
U.S. Trade Laws Authorizing the President's Tariff Actions

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 (ITC) 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 (USTR) 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 President's recent tariff actions raise a number of significant issues for Congress. These issues include the economic effects of tariffs on firms, farmers, and workers, and the overall U.S. economy, the appropriate use of delegated authorities in line with congressional intent, and the potential implications and impact of these measures for broader U.S. trade policy, particularly with respect to the U.S. role in the global trading system.

The products affected by the tariff increases include: washing machines, solar products, steel, aluminum, and numerous imports from China. Retaliatory tariffs are affecting several U.S. exports, including agricultural products such as soybeans and pork, motor vehicles, steel, and aluminum. Using 2017 values, U.S. imports subject to the increased tariffs accounted for 12% of annual U.S. imports, while exports subject to retaliatory tariffs accounted for 8% of annual U.S. exports. A pending Section 232 investigation on motor vehicle and parts imports could result in increased tariffs on more than $360 billion of imports, and the President has stated that additional tariffs could be imposed on imports from China absent a negotiated agreement to address certain Chinese trade practices of longstanding concern to the United States.

U.S. Imports and Exports Affected by the Recent Tariff Actions



Source: CRS analysis of U.S. import data from the U.S. Census Bureau and trade partner data from Global Trade Atlas IHS Markit.

Although the consensus among most economists is that the tariffs are likely to have a negative effect on the U.S. economy overall, they may have both costs and benefits across different market sectors and actors. Import tariffs are effectively a tax on domestic consumption and thus increase costs for U.S. consumers and downstream industries that use products subject to tariffs. Retaliatory tariffs create disadvantages for U.S. exports in foreign markets, and can lead to fewer sales of U.S. products abroad and depressed prices. However, domestic producers who compete with affected imports can benefit by being able to charge higher prices for their goods. The Administration also argues the tariffs may have an indirect benefit if they result in tariff reductions by U.S. trading partners and lead to resolution of U.S. trade concerns affecting key sectors of the U.S. economy. Economic analyses of the tariff actions estimate a range of potential effects, but generally suggest a 0.1%-0.2% reduction in U.S. gross domestic product (GDP) growth annually owing to the actions to date. The economic effects of the President's actions are likely to be central to ongoing congressional debate on legislation to alter the President's tariff authority.

Contents

Overview of Recent Tariff Actions 1
What are tariffs and what are average U.S. tariff rates? 1
What are the goals of the President's tariff actions and why are these actions of note? 2
What are Section 201, Section 232, and Section 301? 2
What tariff actions has the Administration taken or proposed to date under these authorities? 3
Which countries are affected by the tariff increases? 4
Why is China a major focus of the Administration's action? 4
Has the Administration engaged in negotiations with other countries with regard to these measures? 5
Have U.S. trading partners taken or proposed retaliatory trade actions to date? 7
Has Congress responded to the Administration's tariff actions? 7
Has the United States entered into a "trade war" and how does this compare to previous U.S. trade disputes? 8
When was the last time a President acted under these laws? 9
Have the tariff measures resulted in legal challenges domestically or with regard to existing international commitments? 10
Do these actions have broader economic and policy implications? 10
Is further escalation and retaliation possible? 11
Scale and Scope of U.S. and Retaliatory Tariffs 12
What U.S. imports are included in the tariff actions? 12
What U.S. exports face retaliatory tariff measures? 13
How do the U.S. tariff actions and subsequent retaliation compare? 15
What share of annual U.S. trade is affected or potentially affected by the U.S. and retaliatory actions? 16
What factors affect the products selected for retaliation? 17
Once the President imposes tariffs, can the President change them? 18
What exemptions are allowed from the tariffs imposed to date? 18
Section 201 18
Section 232 19
Section 301 20
How many product exclusion requests have been made? 21
Have Members of Congress and other stakeholders raised issues regarding the product exclusion process? 22
Economic Implications of Tariff Actions 23
What are the general economic dynamics of a tariff increase and who are the economic stakeholders potentially affected? 23
What do economic studies estimate as the potential impacts of the tariff actions on the U.S. economy? 27
What are some potential long-term effects of escalating tariffs between countries? 29
Are there examples of U.S. producers benefitting or being harmed by the tariffs? 30
How are Section 301 tariffs affecting global supply chains? 31
Are there estimates of economic implications at the state level? 32
Are there programs to aid farmers potentially harmed by the tariffs? 33
How will the tariff actions affect the U.S. trade balance? 33
Presidential Trade Authorities and Congress 35

What are the steps involved in imposing increased tariffs pursuant to the current authorities? ... 35
What legislation has been introduced to alter the President's current authority and how would it do so? ... 36
Tariff Revenue Questions ... 38
What additional U.S. revenue has been collected from the tariffs? ... 38
What happens to the revenue collected from the tariffs? ... 38
How does additional tariff revenue compare to the U.S. national debt? ... 39
What are the economic implications of raising revenue through tariffs? ... 40
Relation to WTO and U.S. Trade Agreements ... 41
How do the Administration's unilateral tariff actions and other countries' retaliatory actions relate to existing commitments at the WTO and in bilateral and regional trade agreements? ... 41
What dispute-settlement actions have U.S. trading partners taken? ... 41
What dispute-settlement actions has the United States taken? ... 43
Do the Administration's tariff actions potentially affect ongoing or proposed U.S. trade agreement negotiations? ... 44
Why have some observers raised concerns over the potential impact of the Administration's actions on the global trading system? ... 44
Additional Sources of Information ... 45
What other CRS products provide further information on these issues? ... 45
What official sources of information are publicly available regarding the U.S. and retaliatory tariff actions? ... 46
The Department of Commerce (Section 232 Investigations) ... 46
U.S. International Trade Commission (ITC) (Section 201 Investigations) ... 46
Office of the U.S. Trade Representative (USTR) (Section 301 Investigations) ... 47
The White House ... 47
Customs and Border Protection (CBP) ... 48

Figures

Figure 1. Trump Administration Tariff Actions and Affected Imports ... 3
Figure 2. Retaliatory Tariffs and Affected U.S. Exports ... 7
Figure 3. U.S. Imports Affected by Trump Administration Tariff Actions ... 12
Figure 4. U.S. Imports Affected by Section 301 Actions by Product ... 13
Figure 5. Section 232 Retaliation by Country ... 14
Figure 6. U.S. Exports Affected by Retaliatory Tariffs ... 15
Figure 7. U.S. Trade Affected by Increased Tariffs by Product Category ... 16
Figure 8. Shares of U.S. Goods Trade Affected by Tariff Actions ... 17
Figure 9. U.S. Washing Machine Prices ... 24
Figure 10. Motor Vehicle Trade and Tariffs ... 25
Figure 11. U.S. Exports to EU, Canada, and Mexico subject to Section 232 Retaliation ... 26
Figure 12. U.S. Monthly Goods Trade Balance ... 34

Tables

Table 1. Potential Costs and Benefits of Increased Tariffs 26
Table 2. Selected Studies on the Economic Impact of Recent Tariff Actions 28
Table 3. Select Proposals to Amend Certain Trade Authorities: 116th Congress 37
Table 4. WTO Challenges to Tariff Measures Imposed by Trump Administration Under U.S. Trade Laws 42
Table 5. U.S. WTO Disputes Over Retaliatory Tariffs Imposed on U.S. Products 43

Contacts

Author Information 49

Overview of Recent Tariff Actions

What are tariffs and what are average U.S. tariff rates?

Tariffs or duties are taxes assessed on imports of foreign goods, paid by the importer to the U.S. government, and collected by U.S. Customs and Border Protection (CBP).[1] Current U.S. tariff rates may be found in the Harmonized Tariff Schedule (HTS) maintained by the U.S. International Trade Commission (ITC).[2] The U.S. Constitution grants Congress the sole authority to regulate foreign commerce and therefore impose tariffs, but, through various trade laws, Congress has delegated authority to the President to modify tariffs and other trade restrictions under certain circumstances. To date, President Trump has proclaimed increased tariffs under three different authorities. The President has also proclaimed other import restrictions, including quotas and tariff-rate quotas under these authorities, but the majority of the actions are in the form of *ad-valorem* tariff increases.

Types of Import Restrictions

Tariff – A tax on imports of foreign goods paid by the importer. *Ad valorem* tariffs are assessed as a percentage of the value of the import (e.g., a tax of 25% on the value of an imported truck). *Specific* tariffs are assessed at a fixed rate based on the quantity of the import (e.g., 7.7¢ per kilogram of imported almonds), and are most common on agricultural imports.

Quota – A restriction on the total allowable amount of imports based either on the quantity or value of goods imported. Quotas are in place on a limited number of U.S. imports, mostly agricultural commodities, in part due to past trade agreements to remove and prohibit them.

Tariff-rate Quota (TRQ) – TRQs involve a two-tiered tariff scheme in which the tariff rate changes depending on the level of imports. Below a specific value or quantity of imports, a lower tariff rate applies, but once this threshold is reached all additional imports face a higher, sometimes prohibitive, tariff rate.

The United States played a prominent role in establishing the global trading system after World War II and has generally led and supported global efforts to reduce and eliminate tariffs since that time. Through both negotiated reciprocal trade agreements and unilateral action, countries around the world, including the United States, have reduced their tariff rates over the past several decades, some by considerable margins. According to the World Trade Organization (WTO), U.S. most-favored-nation (MFN) applied tariffs, the tariff rates the United States applies to members of the WTO—nearly all U.S. trading partners—averaged 3.4% in 2017.[3] Globally tariff rates vary, but are also generally low. For example, the top five U.S. trading partners all have average tariff rates below 10%: the European Union (EU) (5.1%), China (9.8%), Canada (4.0%), Mexico (6.9%), and Japan (4.0%). Despite these low averages, most countries apply higher rates on a limited number of imports, often agricultural goods.[4]

[1] For more information, see CRS In Focus IF11030, *U.S. Tariff Policy: Overview*, by Christopher A. Casey.

[2] USITC, *Harmonized Tariff Schedule*, 2019 Edition, available at https://hts.usitc.gov/current.

[3] WTO, *World Tariff Profiles 2018*, available at https://www.wto.org/english/res_e/booksp_e/tariff_profiles18_e.pdf.

[4] In the United States, tariffs above 25% *ad valorem* were concentrated mainly in agriculture, footwear, and textiles. An estimated 22 tariff lines corresponding to agricultural products carried import duty rates above 100%. (World Trade Organization, Trade Policy Review of the United States, November 14, 2016.)

What are the goals of the President's tariff actions and why are these actions of note?

As discussed below (see "What are Section 201, Section 232, and Section 301?") the authorities under which President Trump has increased tariffs on certain imports allow for import restrictions to address specific concerns. Namely, these authorities allow the President to take action to temporarily protect domestic industries from a surge in fairly traded imports (Section 201), to protect against threats to national security (Section 232), and to respond to unfair trade practices by U.S. trading partners (Section 301). In addition to addressing these specific concerns, the President also states he is using the tariffs to pressure affected countries into broader trade negotiations to reduce tariff and nontariff barriers, such as the announced trade agreement negotiations with the EU and Japan, and to lower the U.S. trade deficit.[5]

President Trump's recently imposed tariff increases are of note because:

- they are significantly higher than average U.S. tariffs (most of the increases are in the range of 10-25%), and have resulted in retaliation of a similar magnitude by some of the countries whose exports to the United States have been subject to the tariff increases;
- they affect approximately 12% of annual U.S. imports and 8% of U.S. exports, magnitudes that could grow if additional proposed or pending actions are carried out, or decrease if additional negotiated solutions are achieved;
- they represent a significant shift from recent U.S. trade policy as no President has imposed tariffs under these authorities in nearly two decades; and
- they have potentially significant implications for U.S. economic activity, the U.S. role in the global trading system, and future U.S. trade negotiations.

What are Section 201, Section 232, and Section 301?

Section 201, Section 232, and Section 301 refer to U.S. trade laws that allow presidential action, based on agency investigations and other criteria. Each allows the President to restrict imports to address specific concerns. The focus of these laws generally is not to provide additional sources of revenue, but rather to alter trading patterns and address specific trade practices. The issues the laws seek to address are noted in italics below.

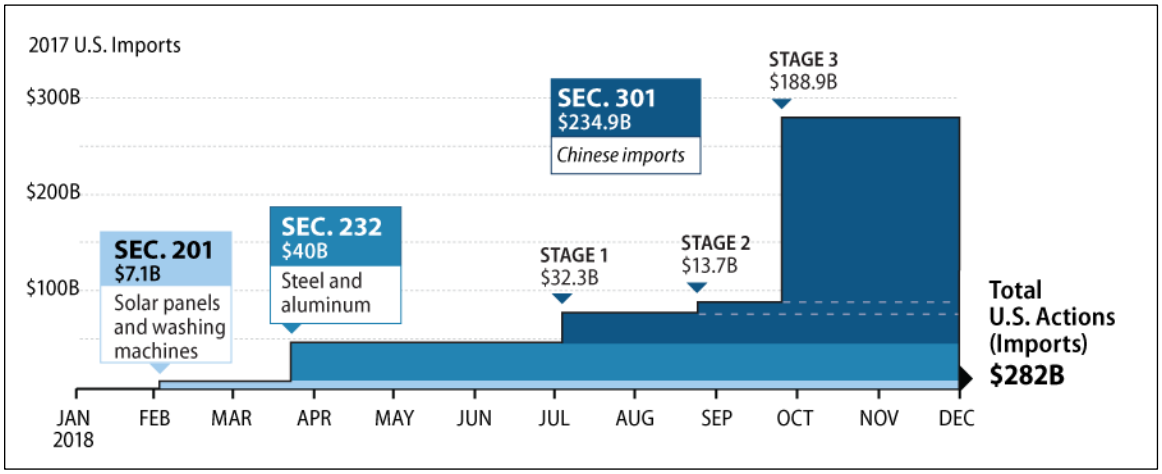
Section 201 of the Trade Act of 1974	Allows the President to impose temporary duties and other trade measures if the U.S. International Trade Commission (ITC) determines a surge in imports is a *substantial cause or threat of serious injury* to a U.S. industry (19 U.S.C. §2251-2255).
Section 232 of the Trade Expansion Act of 1962	Allows the President to take action to adjust imports if the U.S. Department of Commerce finds certain products imported into the United States in such quantities or under such circumstances as to *threaten to impair U.S. national security* (19 U.S.C. §1862).
Section 301 of the Trade Act of 1974	Allows the United States Trade Representative (USTR), at the direction of the President, to suspend trade agreement concessions or impose import restrictions if it determines an act, policy, or practice of a foreign *country violates, or is inconsistent with, the provisions of, or otherwise denies benefits to the United States under, any trade agreement or is unjustifiable and burdens or restricts U.S. commerce* (19 U.S.C. §2411-2420).

[5] See, for example, White House, "Remarks by President Trump on the USMCA," October 1, 2018; and White House, "Statement from the President Regarding Trade with China," June 18, 2018.

What tariff actions has the Administration taken or proposed to date under these authorities?

The Trump Administration has imposed import restrictions under the three authorities noted above, affecting approximately $282 billion in U.S. annual imports, based on 2017 import values (**Figure 1**). In addition, the President has initiated Section 232 investigations on U.S. imports of motor vehicles and uranium, which could result in increased tariffs on up to $361 billion and $2 billion of U.S. imports, respectively. The President has also suggested he may increase tariffs under Section 301 authorities on an additional $267 billion of U.S. imports from China, depending on the results of ongoing bilateral talks.

Figure 1. Trump Administration Tariff Actions and Affected Imports



Section 201 Safeguard Tariffs (effective since February 7, 2018)	• *Solar Cells:* 4-year TRQ with 30% above quota tariffs, declining 5% annually. (All solar cell imports under the TRQ volume level will enter at the normal U.S. (duty-free) tariff rate). • *Solar Modules:* 4-year TRQ with 30% tariffs, declining 5% annually. • *Large Residential Washers*: 3-year TRQ, 20% in quota tariff, descending 2% annually; 50% above quota tariff, descending 5% annually. • *Large Residential Washer Parts*: 3-year TRQ, 50% above quota tariff, descending 5% annually.
Section 232 National Security Tariffs (effective since March 23, 2018)	• *Aluminum:* 10% tariffs on selected aluminum imports from most countries, effective indefinitely. • *Steel:* 25% tariffs on selected steel imports from most countries, effective indefinitely; 50% tariffs on steel imports from Turkey. • *Additional investigations* on motor vehicle and motor vehicle parts and uranium are ongoing and could result in additional import restrictions.
Section 301 "Unfair" Trading Practices Tariffs (effective on U.S. imports from China since July 6, 2018)	• *STAGE 1:* 25% import tariff on 818 U.S. imported Chinese products (List 1), effective indefinitely from July 6, 2018. • *STAGE 2:* 25% import tariff on 279 U.S. imported Chinese products (List 2), effective indefinitely from August 23, 2018. • *STAGE 3:* 10% import tariff on 5,745 U.S. imported Chinese products (List 3), effective indefinitely from September 24, 2018, and currently scheduled to increase to 25% in March 2019.

Source: CRS calculations using data from U.S. Census Bureau.

Measuring U.S. and Retaliatory Tariff Actions

The scale and scope of the U.S. and retaliatory tariff actions can be measured in a number of ways. When referring to the value of trade potentially affected by the various tariff measures, this report, unless otherwise noted, uses an *approximation* based on annual import and export values from 2017, the last full year for which U.S. and partner country trade data are available. The tariffs became effective at different times during 2018, so annual figures of *actual* trade affected are not yet available. Data for U.S. imports come from the U.S. Census Bureau. Data for U.S. exports come from partner country import data, sourced through Global Trade Atlas IHS Markit. Partner country trade data are used to measure U.S. exports generally because product classifications may differ between countries, making it difficult to match U.S. trade values with the specific products subject to the tariff measures.

In announcing its tariff actions, the Administration specified the U.S. import values potentially affected. For example, the United States Trade Representative (USTR) described its three stages of Section 301 actions as affecting $34 billion, $16 billion, and $200 billion of annual U.S. imports, respectively, accounting for $250 billion of total U.S. imports affected by Section 301 actions. CRS estimates of the trade values are slightly lower than the Administration's announced figures, which may reflect use of 2017 trade values. The Congressional Budget Office (CBO), similarly used 2017 trade values to estimate the shares of U.S. trade affected by the tariff actions and reported largely similar figures to the numbers reported in this publication.

Which countries are affected by the tariff increases?

The import restrictions imposed under Section 201 and Section 232 apply to U.S. imports from most countries. The Section 301 tariffs apply exclusively to U.S. imports from China.

Section 201	• **Canada** is excluded from the additional duties on residential washers. • **Certain developing countries** are excluded if they account for less than 3% individually or 9% collectively of U.S. imports of solar cells or large residential washers, respectively. • **All other countries included.**
Section 232	• **Australia** is excluded from the additional duties on both steel and aluminum due to negotiation of "satisfactory alternative means" to address the national security concerns, but unlike other exempted countries no quota is in place on U.S. imports from Australia. • **Argentina** is excluded from the additional duties on aluminum due to a negotiated quota agreement. • **Argentina, Brazil and South Korea** are excluded from the additional duties on steel but are instead subject to quota allotments based on negotiated agreements.[6] • **All other countries included**.
Section 301	• Additional import duties apply only to **U.S. imports from China**.

Why is China a major focus of the Administration's action?

China is a major focus of a Section 301 investigation and related tariff measures largely due to concerns over its intellectual property rights (IPR) and forced technology transfer practices, and the size of its bilateral trade deficit with the United States. China's government policies on technology and IPR have been longstanding U.S. concerns and are cited by U.S. firms as among the most challenging issues they face in doing business in China.[7] Moreover, China is considered to be the largest global source of IP theft. On March 22, 2018, President Trump signed a

[6] For more information, see CBP Bulletin "Section 232 Tariffs on Aluminum and Steel," available at https://www.cbp.gov/trade/programs-administration/entry-summary/232-tariffs-aluminum-and-steel.

[7] For more information, see CRS In Focus IF10708, *Enforcing U.S. Trade Laws: Section 301 and China*, by Wayne M. Morrison.

presidential memorandum on U.S. actions related to the Section 301 investigation. Described by the White House as a response to China's "economic aggression," the memorandum identified four broad Chinese IP-related policies to justify U.S. action under Section 301, stating:

- China uses joint venture requirements, foreign investment restrictions, and administrative review and licensing processes to force or pressure technology transfers from American companies;
- China uses discriminatory licensing processes to transfer technologies from U.S. companies to Chinese companies;
- China directs and facilitates investments and acquisitions, which generate large-scale technology transfer; and
- China conducts and supports cyber intrusions into U.S. computer networks to gain access to valuable business information.[8]

The USTR estimated that such policies cost the U.S. economy at least $50 billion annually.[9] During his announcement of the Section 301 action, President Trump also stated that China should reduce the bilateral trade imbalance (which at $376 billion in 2017 for goods trade was the largest U.S. bilateral trade imbalance) and afford U.S. "reciprocal" tariff rates.[10]

Has the Administration engaged in negotiations with other countries with regard to these measures?

Yes. The Administration negotiated quota arrangements rather than imposing Section 232 tariffs on steel imports from Brazil and South Korea, and Section 232 tariffs on both steel and aluminum imports from Argentina. Although the steel and aluminum tariffs were not addressed in the proposed modifications to the North American Free Trade Agreement (NAFTA), renamed the U.S.-Mexico-Canada Agreement (USMCA), USTR Robert Lighthizer stated the three countries are discussing alternative measures.[11] Side agreements to the USMCA include specific language exempting light trucks and 2.6 million passenger vehicle imports annually each from Canada and Mexico from future U.S. import restrictions under Section 232, as well as $32.4 billion and $108 billion of auto parts imports, respectively.[12]

The Administration also informally agreed not to move forward with additional Section 232 import duties on U.S. motor vehicle and parts imports from the European Union (EU) and Japan while broader bilateral trade negotiations are ongoing. Discussions on the steel and aluminum tariffs are also to be part of both negotiations.[13]

---

[8] Executive Office of the President, Memorandum of March 22, 2018, "Actions by the United States Related to the Section 301 Investigation of China's Laws, Policies, Practices, or Actions Related to Technology Transfer, Intellectual Property, and Innovation," 83 *Federal Register* 13099, March 27, 2019.

[9] USTR, Press Release, April 3, 2018, available at https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/april/under-section-301-action-ustr.

[10] The White House, *Remarks by President Trump at Signing of a Presidential Memorandum Targeting China's Economic Aggression*, March 22, 2018, available at https://www.whitehouse.gov/briefings-statements/remarks-president-trump-signing-presidential-memorandum-targeting-chinas-economic-aggression/.

[11] White House, "Remarks by President Trump on the USMCA," October 1, 2018.

[12] See USTR website for full text of the side letters, available at https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/united-states-mexico.

[13] White House, "Joint Statement of the United States and Japan," September 26, 2018; White House, "President Trump Launches a New Reciprocal Trade Relationship with the EU," July 27, 2018.

Additionally, the Administration has participated in talks with China regarding the trade practices that are the subject of the Section 301 tariffs. Negotiations in May 2018 initially appeared to resolve the trade conflict, but were ultimately unsuccessful.[14] After further tariff actions by both sides, on December 1, 2018, Presidents Trump and Xi met at a private dinner during the G-20 Summit in Argentina. According to a White House statement, the two leaders agreed to begin negotiations immediately on "structural changes" with regard to IP and technology issues (related to the Section 301 case). The leaders also agreed to address agriculture and services issues. The parties set a goal of achieving an agreement in 90 days. In addition, the White House reported that President Xi agreed to make "very substantial" purchases of U.S. agricultural, energy, and industrial products. In exchange, President Trump agreed to suspend the planned Stage 3 Section 301 tariff rate increases that were scheduled to take effect on January 1, 2019, but stated that the increases would be implemented if no agreement was reached in 90 days (by March 1, 2019). High level talks continue, and on January 30-31, 2019, Chinese Vice Premier Liu met with President Trump and other U.S. officials, during which China pledged to purchase 5 million metric tons of U.S. soybeans.[15] On January 31, President Trump indicated that a final resolution of the trade dispute would not be achieved until he met with President Xi.[16] Reports suggest the trade talks may be extended beyond the March deadline.[17]

President Trump has made clear that the Administration is using these various import restrictions as a tool to get countries to negotiate on other issues. At the announcement of the proposed USMCA, the President stated "without tariffs, we wouldn't be talking about a deal, just for those babies out there that keep talking about tariffs. That includes Congress—'Oh, please don't charge tariffs.' Without tariffs, you wouldn't be standing here."[18]

The United States has also engaged or will engage in consultations at the WTO with some trading partners affected by the tariffs. Such consultations are a required first step in dispute settlement proceedings, which U.S. trading parties and the United States in turn, have initiated in response to the U.S. actions and trading partner retaliations. (See "What dispute-settlement actions have U.S. trading partners taken?" and "What dispute-settlement actions has the United States taken?")

---

[14] On May 3-4, 2018, the two sides held high-level talks in Beijing. The U.S. side released a draft Framework for Discussion. On May 19, the United States and China released a joint statement outlining progress on a number of trade issues. China agreed that it would "significantly increase purchases of United States goods and services," including U.S. agricultural and energy products. China also said it would strengthen its IPR laws and regulations. On May 21, U.S. Secretary of the Treasury Steven Mnuchin stated that a framework agreement had been reached and that the "trade war had been put on hold." However, on May 29, the White House announced that it planned to move ahead with Section 301 action against China, including increased tariffs by: (1) imposing 25% *ad valorem* tariffs on $50 billion worth of imports from China; (2) implementing new investment restrictions and enhanced export controls on Chinese entities and persons in regards to the acquisition of "industrially significant technology" for national security purposes (legislation was later enacted addressing these issues); and (3) continuing to pursue the WTO case against China's licensing policies. The White House further stated that it would request China to remove "all of its many trade barriers" and make taxes and tariffs between the two countries "reciprocal in nature and value." A subsequent statement by the Chinese government said that the White House actions were "clearly contrary to the recent agreement between the two sides," and said it would not implement the market-opening measures it had pledged to make while being threatened with tariff hikes.

[15] The White House, *Remarks by President Trump in Meeting with Vice Premier Liu He of the People's Republic of China*, January 31, 2019, at https://www.whitehouse.gov/briefings-statements/remarks-president-trump-meeting-vice-premier-liu-peoples-republic-china/.

[16] Twitter, *Donald J. Trump*, January 31, 2019, at https://twitter.com/realDonaldTrump.

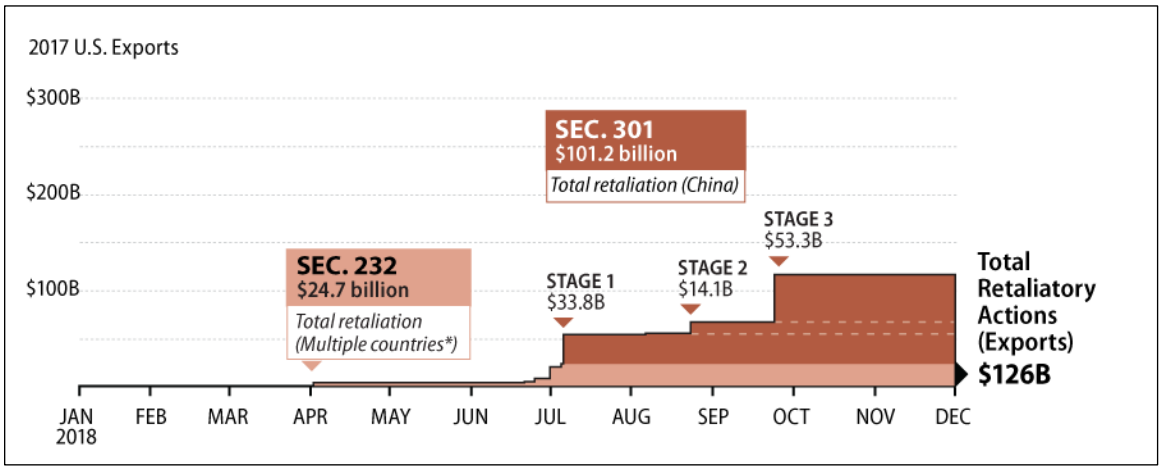
[17] "President Trump Says There Is 'Possibility' He Will Extend Deadline in China Trade Talks," *Time*, February 15, 2019.

[18] White House, "Remarks by President Trump on the USMCA," October 1, 2018.

Have U.S. trading partners taken or proposed retaliatory trade actions to date?

Yes. Some U.S. trading partners subject to the additional U.S. import restrictions have taken or announced proposed retaliations against each of the three U.S. actions. Since April 2018, a number of retaliatory tariffs have been imposed on U.S. goods accounting for $126 billion of U.S. annual exports, using 2017 export values (**Figure 2**).

Figure 2. **Retaliatory Tariffs and Affected U.S. Exports**



Section 201	• China and South Korea announced their intent to take retaliatory actions with regard to U.S. import restrictions on both solar products and washers. • Japan announced its intent to retaliate with respect to the U.S. action on solar products. • In line with WTO commitments on safeguards, the retaliatory actions are to take effect three years after the initial action, or in 2021.
Section 232	• Canada, China, the EU, Mexico, Russia and Turkey imposed retaliatory tariffs in response to the U.S. steel and aluminum tariffs. • Japan and India notified proposed retaliation with the WTO but have not yet implemented retaliatory measures. • Annual exports affected by the Section 232 retaliations total $25 billion, using 2017 export values.
Section 301	• China responded to each of the three U.S. lists of tariffs under Section 301 with its own retaliatory tariffs. • Annual exports affected by Section 301 retaliations total $101 billion, using 2017 export values.

Source: CRS analysis using data from Global Trade Atlas IHS Markit.

Notes: U.S. exports based on partner country import data. (*) Section 232 retaliation includes tariffs imposed by Canada, China, the EU, Mexico, Russia, and Turkey on imports from the United States. See "What U.S. exports face retaliatory tariff measures" for more information.

Has Congress responded to the Administration's tariff actions?

Yes. The tariffs impact various stakeholders in the U.S. economy, prompting both support and concern from different Members of Congress. To date, Congress has conducted oversight hearings on the Section 232 and 301 investigations and examined the potential economic and broader policy effects of the tariffs. Many Members have expressed concern over what they view

as an expansive use of the delegated tariff authority under Section 232, and some Members have introduced legislation in the 115th and 116th Congresses that would amend the current authority in a number of ways, including requiring a greater congressional role before tariffs may be imposed. All actions continue to be actively debated, as some other Members see a need for expanded presidential authority to ensure more reciprocal tariff treatment by U.S. trading partners and have introduced legislation in the 116th Congress to that effect.[19] Senator Grassley, chairman of the Senate Finance Committee announced that he intends to "review the President's use of power under Section 232 of the Trade Act of 1962" during the 116th Congress.[20]

Has the United States entered into a "trade war" and how does this compare to previous U.S. trade disputes?

There is no set definition of what may constitute a trade war. Beginning in 2017, the United States and some of its major trading partners imposed escalating import restrictions, particularly tariffs, on certain traded products. Some contend that with these actions—or threat thereof—the United States has embarked upon a full-scale "trade war."[21] Although the scale and scope of these recent unilateral U.S. tariff increases are unprecedented in modern times, tensions in international trade relations are not uncommon. Over the last 100 years, the United States has been involved in a number of significant or "controversial" trade disputes.[22] Past disputes, however, were more narrowly focused across products and trading partners, and generally temporary. Most were settled, and when unresolved, they were contained or defused through bilateral and multilateral negotiations. From the early 20th century until this year, one dispute resulted in a worldwide tit-for-tat escalation of tariffs: the trade dispute ignited by the U.S. Tariff Act of 1930, commonly known as the "Smoot-Hawley" Tariff Act.

The United States has imposed unilateral, restrictive trade measures in the past, but rarely before attempting to resolve its trade-related concerns through negotiations. The United States has, for the most part, engaged with trading partners in bilateral and multilateral fora to manage frictions over such issues and to achieve expanded market access for U.S. firms and farms and their workers. In particular, the United States has generally sought dispute resolution through the multilateral forum provided by the General Agreement on Tariffs and Trade (GATT) and its successor, the WTO.[23] As part of the dispute settlement process, WTO members may seek authorization to retaliate if trading partners maintain measures determined to be inconsistent with WTO rules.

[19] H.R. 764 (Duffy), 116th Congress, United States Reciprocal Trade Act, introduced January 24, 2019.

[20] Senator Chuck Grassley, "Prepared Remarks on Senate Finance Priorities for the 116th Congress," December 20, 2018, available at https://www.grassley.senate.gov/news/news-releases/grassley-senate-finance-trade-priorities-116th-congress.

[21] Economists have no set definition of a "trade war." However, "trade wars" often refer to sustained, protracted, and high-intensity international conflicts where states interact, bargain, and retaliate primarily over economic objectives directly related to the traded goods or service sectors of their economies, and where the means used are restrictions on the free flow of goods and services. See Ka Zeng, *Trade Threats, Trade Wars: Bargaining, Retaliation, and American Coercive Diplomacy* (Ann Arbor, University of Michigan Press, 2010).

[22] For a historical overview of major past U.S. trade disputes, see CRS In Focus IF10958, *U.S. Trade Debates: Select Disputes and Actions*, by Andres B. Schwarzenberg.

[23] According to the WTO, as of September 2018, the United States is currently involved in 274 active trade disputes being addressed in the WTO dispute settlement system—either as complainant or as a respondent.

When was the last time a President acted under these laws?[24]

Presidential action under these trade laws has varied since Congress enacted them in the 1960s and 1970s, but since 2002 past Presidents generally declined to impose trade restrictions under these laws. The use of Sections 201 and 301, which address some issues also covered by trade rules established at the WTO, has decreased since the creation of that institution in 1995 and its dispute-settlement system, considered more rigorous and effective than the dispute-settlement system under its predecessor, the GATT. The use of Section 232, which focuses on national security concerns and was created during the Cold War, has also declined and has been infrequently used over several decades.

Section 201	The ITC conducted 73 Section 201 investigations from 1975 to 2001. In 26 of those cases, the ITC determined imports were a threat to a domestic industry and the President decided to grant some form of relief. In 2002, based on a Section 201 case, President George W. Bush implemented a combination of quotas and tariff increases on various types of steel imports. The action was subsequently challenged in the WTO. In 2003, WTO panels determined that the safeguard action was inconsistent with the United States' WTO obligations, and on December 8, 2003, President Bush terminated the action. This was the last action taken under Section 201 prior to President Trump's import restrictions on solar products and washing machines.
Section 232	Prior to the Trump Administration, there were 26 Section 232 investigations resulting in nine affirmative findings by Commerce. In six of those cases, the President imposed a trade action. A President arguably last acted under Section 232 in 1986. In that case, Commerce determined that imports of metal-cutting and metal-forming machine tools threatened to impair national security. In this case, the President sought voluntary export restraint agreements with leading foreign exporters, and developed domestic programs to revitalize the U.S. industry.[25] These agreements predate the founding of the WTO, which established multilateral rules prohibiting voluntary export restraints. The most recent Section 232 investigation prior to the Trump Administration took place in 2001 with regard to iron ore and finished steel, but it resulted in a negative finding by Commerce and no further action.
Section 301	From 1974 to 2016, the United States initiated 122 Section 301 cases, retaliating in 16 instances. During this period, the largest level of threatened U.S. Section 301 increased tariffs was $3.9 billion, which was against China in August 1992 over its extensive use of trade barriers on foreign imports (although an agreement was reached in October 1992). The U.S. use of Section 301 fell considerably after the establishment of the WTO in 1995, which included a more effective and binding dispute settlement mechanism than existed under the GATT—a reform the U.S. actively sought and supported. U.S. implementation of the Uruguay Round agreements committed it to using the WTO dispute settlement process to resolve WTO-related issues with other WTO members. Some Section 301 investigations were initiated after 1995, but the issues involved were brought to the WTO. In October 2010, the USTR launched a Section 301 investigation into Chinese policies affecting trade and investment in green technologies (the last Section 301 case initiated until August 2017). The USTR stated that the issues raised were covered under the WTO agreements. It subsequently brought WTO dispute settlement cases against China over its wind power subsidies (December 2010) and its export restrictions on rare earth elements (March 2012).

[24] For more information on the use of these trade laws, see the relevant CRS products cited at the end of this publication.

[25] U.S. President (R. Reagan), "Statement on the Revitalization of the Machine Tool Industry" Weekly Compilation of Presidential Documents, vol. 22 (December 16, 1986), p. 1654.

Have the tariff measures resulted in legal challenges domestically or with regard to existing international commitments?

Yes. The President's actions have resulted in legal challenges in the U.S. domestic court system and in the dispute settlement system at the WTO. Specifically, the Section 232 actions on steel and aluminum have been challenged in cases before the U.S. Court of International Trade. Severstal Export Gmbh, a U.S. subsidiary of a Russian steel producer, has challenged whether the Administration's actions were appropriately based on national security considerations, as required by statute. The American Institute for International Steel (AIIS), a trade association opposed to tariffs, has challenged the constitutionality of Congress' delegation of authority to the President under Section 232.[26] Most recently, U.S. importers of Turkish steel have initiated a case arguing that the President's increase of the Section 232 steel tariffs from 25% to 50% on U.S. imports from Turkey did not have a sufficient national security rationale, did not follow statutory procedural mandates, and violates a due process law.[27] At the WTO, U.S. trading partners have initiated dispute settlement proceedings with regard to the President's actions under Section 201, Section 232, and Section 301. For more information, see the section on "What dispute-settlement actions have U.S. trading partners taken?"

Do these actions have broader economic and policy implications?

Many analysts are concerned that the U.S. measures threaten the rules-based global trading system that the United States helped to establish following World War II.[28] The Trump Administration argues that the unilateral measures are justified under existing multilateral trade rules and as a response to violations of existing commitments under the WTO by other trading partners, particularly China. In contrast, U.S. trading partners contend that the Administration's unilateral actions undermine these existing commitments. They argue that the United States should make use of existing multilateral dispute settlement procedures to address concerns in the trading system rather than resorting to unilateral action. Supporters of the Administration's tariff actions argue that the tariffs and other import restrictions are a useful tool to protect domestic U.S. industries and incentivize U.S. trading partners to enter negotiations, in which they would otherwise have little interest in engaging.[29] Some, including the Administration, also argue that the Section 301 actions address issues not adequately covered by existing WTO rules.

Some observers also raise concerns over the scale of the Administration's actions, which have led to import restrictions imposed on nearly all U.S. trading partners, including some close allies such as Canada, Japan, Mexico, South Korea, and the EU. These groups agree with the U.S. concerns over specific trade practices by China, but support a more targeted approach that includes cooperation between the United States and other countries that share U.S. concerns over violations to and shortcomings of the existing international trading system.[30] While the United States is involved in multilateral discussions at various levels on potential reforms to the global

[26] "Trade Lawyers Debate Strength of AIIS' Section 232 Challenge," *World Trade Online*, October 26, 2018.

[27] "Steel Importers Sue Administration over Increased Section 232 Tariff," *World Trade Online*, January 18, 2019.

[28] "The World Trading System is Under Attack," *the Economist*, July 19, 2018.

[29] "Why We Need Tariffs on Steel," Coalition for a Prosperous America, February 28, 2018.

[30] "Trump Alienates Allies Needed for a Trade Fight with China," *Wall Street Journal*, March 7, 2018.

trading system, specifically the WTO, some analysts argue ongoing tension resulting from the U.S. unilateral actions could hamper these efforts.[31]

The complex nature of international commerce, including its highly integrated global supply chains, makes difficult the accurate prediction of the effects of broad tariff actions on specific industrial sectors or individual companies. For example, the Administration imposed Section 201 safeguard tariffs on washing machines to support domestic manufacturers of washing machines, but these same domestic manufacturers now argue that subsequent Section 232 tariffs on steel and aluminum have led to increases in their input costs and caused further economic harm.[32] U.S. domestic auto production, which the Trump Administration may seek to encourage through additional Section 232 tariffs now under investigation, is similarly negatively affected by the existing steel and aluminum tariffs. Retaliation in the form of increased tariffs on U.S. exports further complicates the economic outcome of the unilateral U.S. actions. Many companies also report that uncertainty resulting from the unpredictable nature of the U.S. and retaliatory actions has made long-term planning difficult; this may be putting a drag on U.S. and global economic activity. Others, including some domestic producers, argue that action was needed to prevent more injurious trade practices from occurring and to eventually achieve broader agreement on reducing tariff barriers and establishing new trading rules.

Is further escalation and retaliation possible?

Yes. Two pending Section 232 investigations on U.S. motor vehicle and parts imports and uranium are underway, which could lead to future import restrictions. Additionally, the scheduled increase in the tariff rate on the third tranche of Section 301 tariffs on U.S. imports from China could occur in the near future, as well as potential new tariffs on additional U.S. imports from China, absent a trade agreement to resolve the core issues that are the subject of current bilateral trade discussions.

U.S. motor vehicle and parts imports totaled $361 billion in 2017, according to the U.S. Census Bureau. These goods are among the top U.S. imports supplied by a number of U.S. trading partners, including Canada, Mexico, Japan, South Korea, and the EU, making an increase in U.S. tariffs that applies to these countries economically significant and likely to result in retaliatory action. Canada and Mexico are currently exempt from future auto 232 tariffs for a limited amount of imports under the proposed USMCA agreement. With respect to the EU and Japan, the Administration has notified Congress of its intent to negotiate bilateral trade agreements and informally agreed to refrain from imposing new auto tariffs while those talks progress. South Korea is the only major U.S. auto supplier without a formal or informal assurance from the Trump Administration that it will be exempt from Section 232 auto tariffs, despite recently implemented modifications to the U.S.-South Korea (KORUS) free trade agreement (FTA). A delay in ratification and implementation of the proposed USMCA, or a breakdown in talks with the EU and Japan could make an escalation on this front more likely.

As noted, President Trump has warned that he will follow through with his threat to increase Section 301 tariffs on $200 billion worth of products from China from 10% to 25% if a trade agreement is not reached by March 1, 2019 or potentially soon thereafter. He has also threatened

[31] James Bacchus, Simon Lester, and Huan Zhu, *Disciplining China's Trade Practices at the WTO: How WTO Complaints Can Help Make China More Market-Oriented*, Cato Institute, Policy Analysis No. 856, November 15, 2018, https://www.cato.org/publications/policy-analysis/disciplining-chinas-trade-practices-wto-how-wto-complaints-can-help.

[32] "Whirlpool Shares Plunge 14.5%, Post Worst Day Since 1987 as Tariffs Wreak Havoc with Costs and Suppliers," *CNBC*, July 24, 2018.

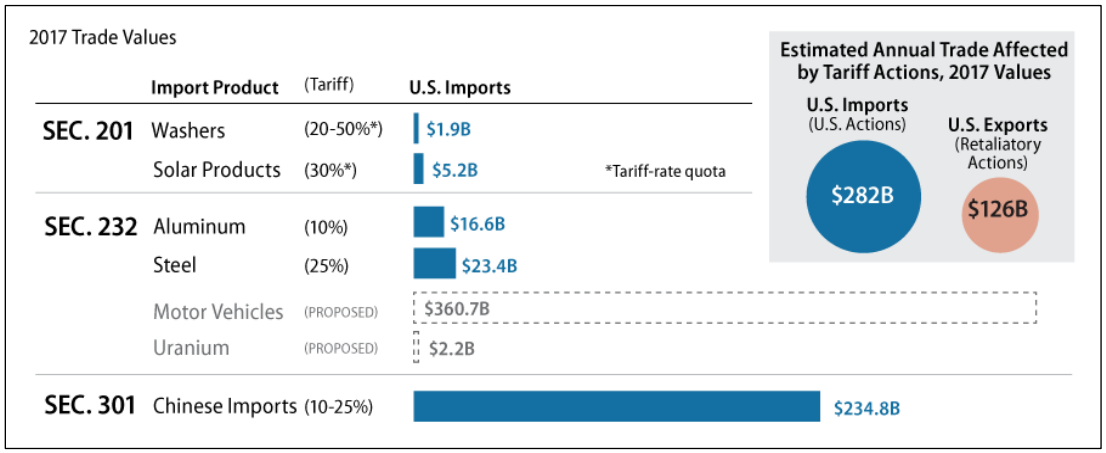
increased tariffs on an additional $267 billion worth of imported Chinese products. China imports far less from the United States than it exports and therefore could not match U.S. tariffs on a comparable level of U.S. products, but it could increase the level of the tariffs on products that have already been impacted by retaliatory Section 301 tariffs, in addition to raising tariffs on U.S. products that have not yet been subject to retaliatory tariffs. Further, the Chinese government could take other retaliatory action, calling on its citizens to boycott the purchase of American goods and services in China, curtailing the operations of U.S. manufacturing firms in China, ordering Chinese firms to halt purchases of certain high-value U.S. products (e.g., Boeing aircraft) or restricting its citizens from traveling to, or investing in, the United States.[33] The Chinese government could also choose to halt purchases of U.S. Treasury securities and possibly sell off some of its holdings.[34]

Scale and Scope of U.S. and Retaliatory Tariffs

What U.S. imports are included in the tariff actions?

The Administration has imposed tariffs on U.S. goods accounting for $282 billion of U.S. annual imports, using 2017 trade values. Section 301 actions currently account for the greatest share (83%) of affected imports. U.S. annual imports of products covered under the Section 301 actions currently total $235 billion, compared with $40 billion (14%) under Section 232, and $7 billion (3%) under Section 201 (**Figure 3**). The potential Section 232 actions on motor vehicles and uranium could cover an additional $361 billion and $2 billion, respectively in U.S. imports, depending on the countries and products included.

Figure 3. U.S. Imports Affected by Trump Administration Tariff Actions



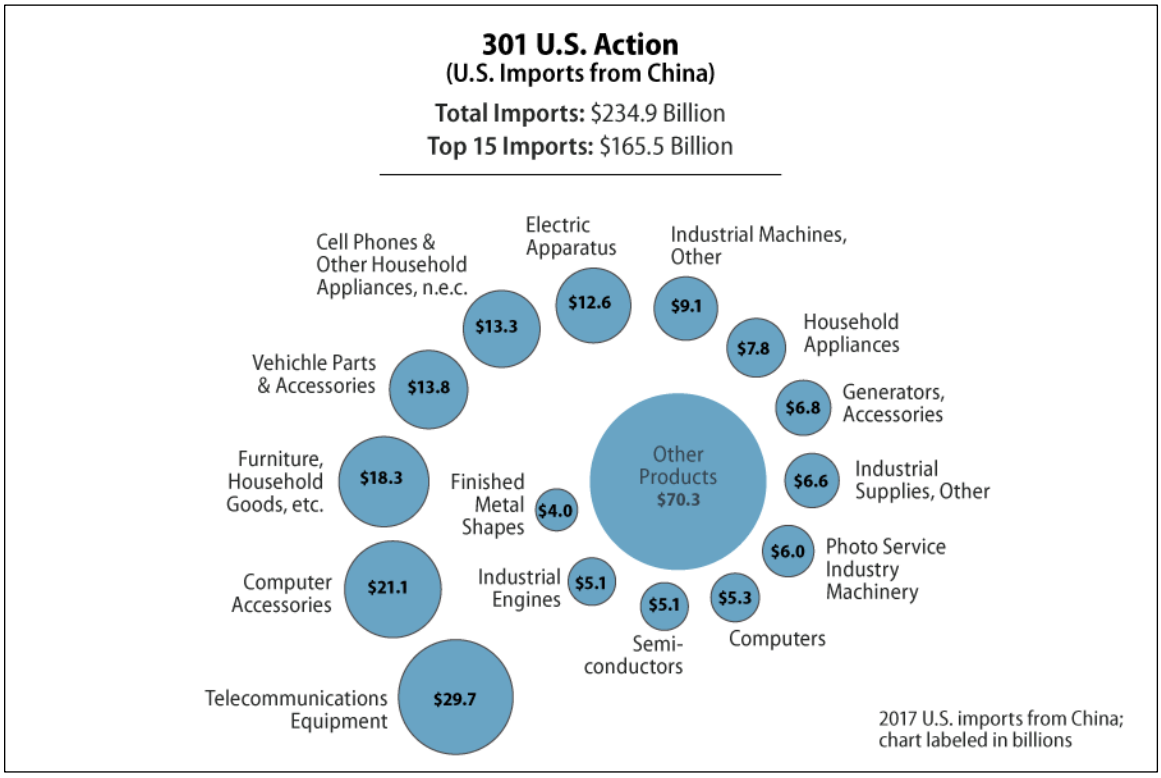
Source: CRS analysis with data from U.S. Census Bureau.

[33] In 2017, 3.2 million Chinese visitors traveled to the United States, spending about $35 billion on travel and tourism related goods and services for all purposes, including education; they ranked first in spending in the United States and fifth as a source of international travelers to the United States. See, U.S. Department of Commerce, National Travel and Tourism Office, http://tinet.ita.doc.gov/outreachpages/inbound.general_information.inbound_overview.asp.

[34] China's holdings of U.S. Treasury securities stood at $1.1 trillion as of November 2018, making it the largest foreign holder of such securities.

The scope of U.S. imports affected vary across the three different actions. Section 201 actions cover U.S. imports of washers, washing machine parts, and solar cells and modules. Section 232 actions cover U.S. imports of steel and aluminum products. Section 301 actions cover a broad range of U.S. imports from China. To date, the Administration has imposed increased tariffs under Section 301 on nearly 7,000 products at the 8-digit harmonized tariff schedule (HTS) level.[35] **Figure 4** below lists the top 15 products subject to the Section 301 import tariffs classified according to 5-digit U.S. end-use import codes. The major categories are telecommunications equipment, computer accessories, furniture, and vehicle parts.

Figure 4. U.S. Imports Affected by Section 301 Actions by Product



Source: CRS analysis with import data from U.S. Census Bureau.

Notes: Product categories based on 5-digit U.S. end-use import codes.

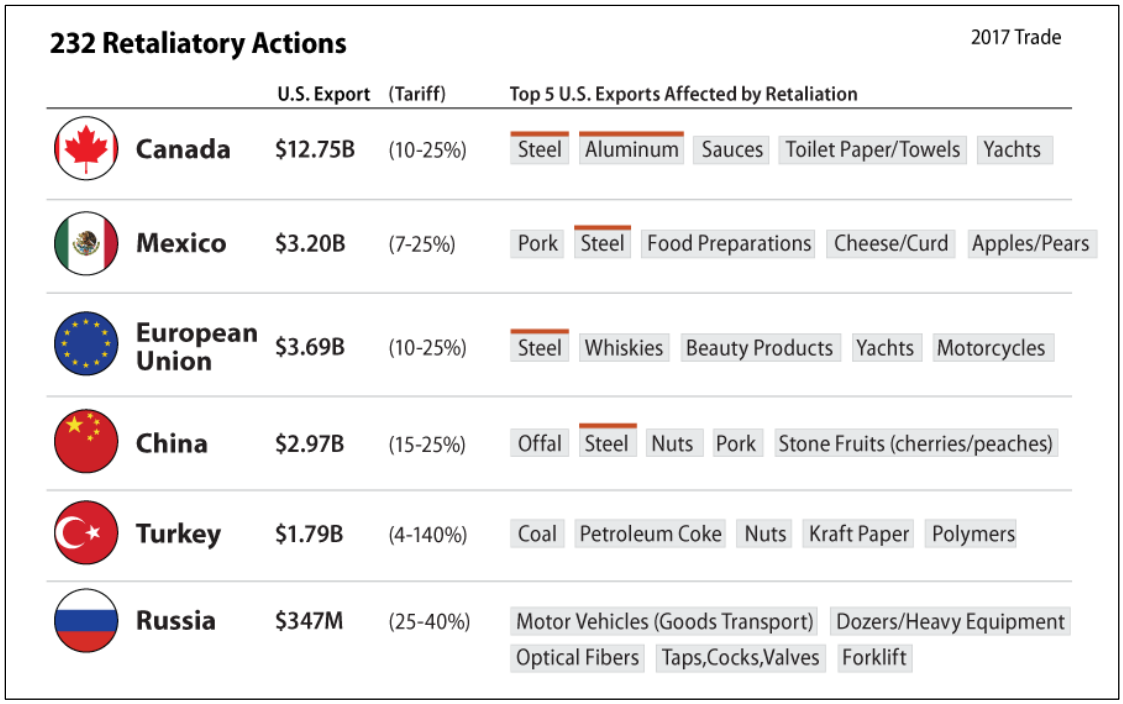
What U.S. exports face retaliatory tariff measures?

To date, U.S. trading partners have retaliated against U.S. Section 232 and Section 301 actions. China, Japan, and South Korea have also announced planned retaliation to U.S. Section 201 actions, but in line with WTO commitments on safeguard retaliations, they are not to be imposed until 2021. The total actions to date affect approximately $126 billion of annual U.S. exports, using 2017 trade values.

[35] The Harmonized Tariff Schedule (HTS) is a classification system for U.S. imports, which includes their associated tariff rates. HTS categories range from 2 digits to 10 digits with increasing specificity per digit. There are roughly 10,000 U.S. HTS tariff lines at the 8-digit level. Tariff classifications are generally harmonized internationally up to 6 digits. For more information and the current U.S. tariff schedule, see https://www.usitc.gov/tata/hts/index.htm.

The retaliations against U.S. Section 232 actions affect U.S. exports to six trade partners: Canada, Mexico, the EU, China, Turkey, and Russia. The retaliation is similar to the U.S. actions both in terms of the tariff rates (most are in the range of 10%-25%) and the products covered (steel or aluminum are among the top products targeted). Other major products targeted include food preparations and agricultural products, yachts, motorcycles, whiskies, and some heavy machinery (**Figure 5**). In total, approximately $25 billion of U.S. annual exports are potentially affected by trade partner retaliations against the U.S. Section 232 actions.

Figure 5. Section 232 Retaliation by Country



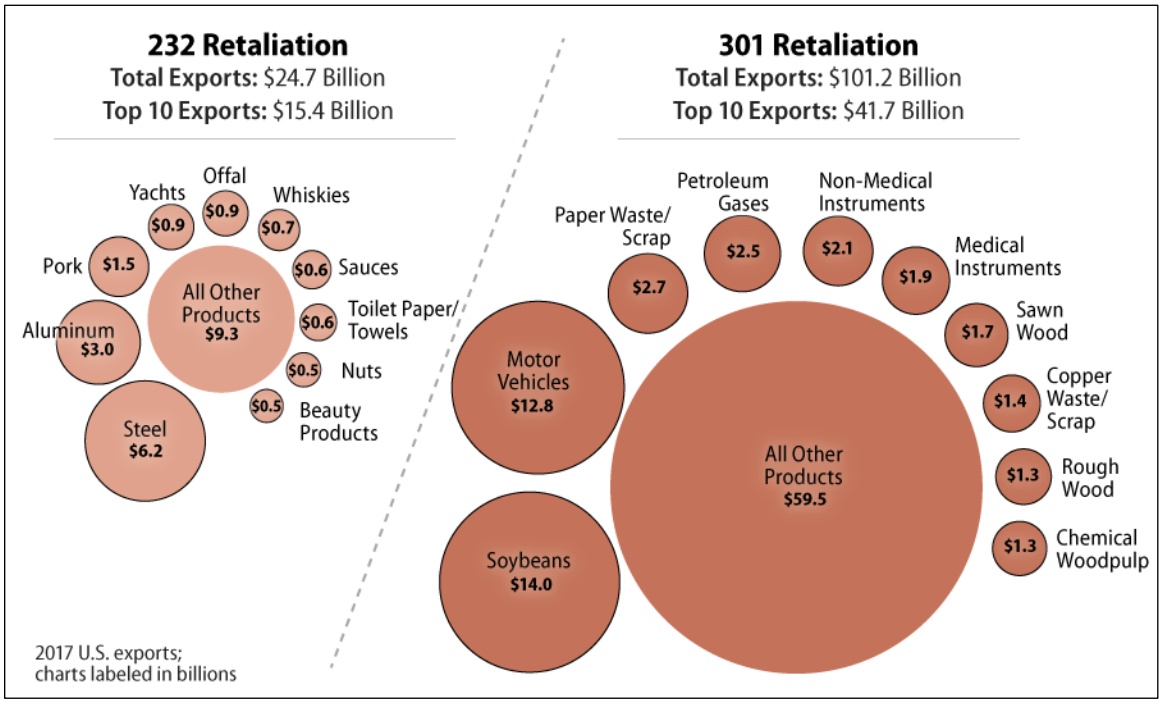
Source: CRS analysis based on partner country import data sourced through Global Trade Atlas IHS Markit.

Notes: U.S. exports of specific products subject to retaliatory tariffs approximated by using partner country import data. U.S. Section 232 actions target steel and aluminum imports, and steel and aluminum are among the top products facing retaliation by several U.S. trading partners as highlighted above.

Retaliatory tariffs imposed by China in response to U.S. Section 301 actions affect approximately $101 billion of U.S. annual exports, accounting for about 80% of U.S. exports subject to retaliatory tariffs currently in effect (**Figure 6**). Like the retaliation in response to U.S. Section 232 actions, agricultural products are a main target. Soybeans, which accounted for $14 billion of U.S. exports to China in 2017, are the top overall export affected. Motor vehicles were the second-largest category of exports under the Section 301 retaliation, but these retaliatory tariffs have been temporarily suspended as part of the recent efforts at bilateral U.S.-China negotiations to resolve the trade conflict.[36] The Chinese retaliatory tariffs, like the U.S. Section 301 tariffs, range from 10%-25% and cover thousands of tariff lines.

[36] "China to Halt Added Tariffs on U.S.-made Cars in Easing of Trade Tensions," *Reuters*, December 14, 2018.

Figure 6. U.S. Exports Affected by Retaliatory Tariffs



Source: CRS analysis with partner country trade data sourced from Global Trade Atlas IHS Markit.

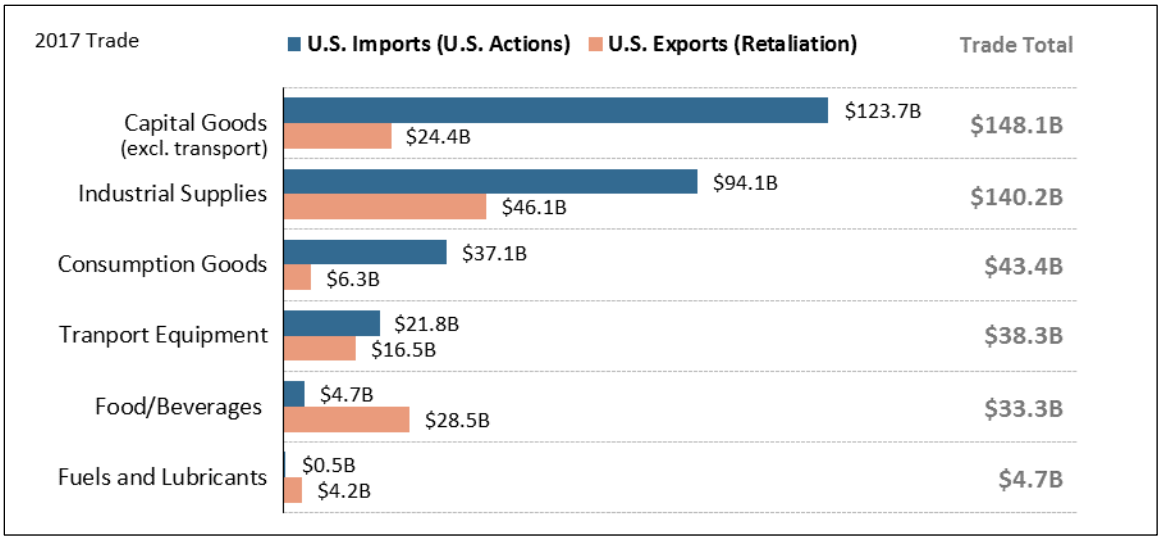
Notes: U.S. exports based on partner country import data, and categorized by 4-digit HS product classifications for all products except steel and aluminum, which are based on 2-digit HS classifications. China temporarily suspended its 25% retaliatory tariffs on motor vehicles on January 1, 2019, effective until April 1, 2019.

How do the U.S. tariff actions and subsequent retaliation compare?

U.S. and retaliatory tariffs differ in both scale and scope of products covered. The United States has placed increased tariffs on products accounting for approximately $282 billion of annual U.S. imports, while retaliatory tariffs cover approximately $126 billion of annual U.S. exports, using 2017 trade values. China, which is subject to the largest share of new U.S. tariffs and has imposed the largest share of new retaliatory tariffs, imports far less from the United States than the United States imports from China, limiting the amount of retaliatory tariffs China can impose on U.S. exports. (See discussion on "Is further escalation and retaliation possible?")

In terms of the products covered, the largest categories of U.S. imports affected by the tariffs are capital goods and industrial supplies (**Figure 7**). This suggests that, to date, U.S. tariffs are concentrated on products primarily used as inputs in the production of other goods rather than on final consumption goods; therefore the effects of the tariffs may be most pronounced in increased costs for U.S. producers. Among U.S. exports, food and beverages is the second-largest category of goods facing retaliatory tariffs, suggesting that U.S. agriculture producers are among the groups most negatively affected by the retaliatory actions.

Figure 7. U.S. Trade Affected by Increased Tariffs by Product Category



Source: CRS analysis based on data from U.S. Census Bureau and Global Trade Atlas IHS Markit.

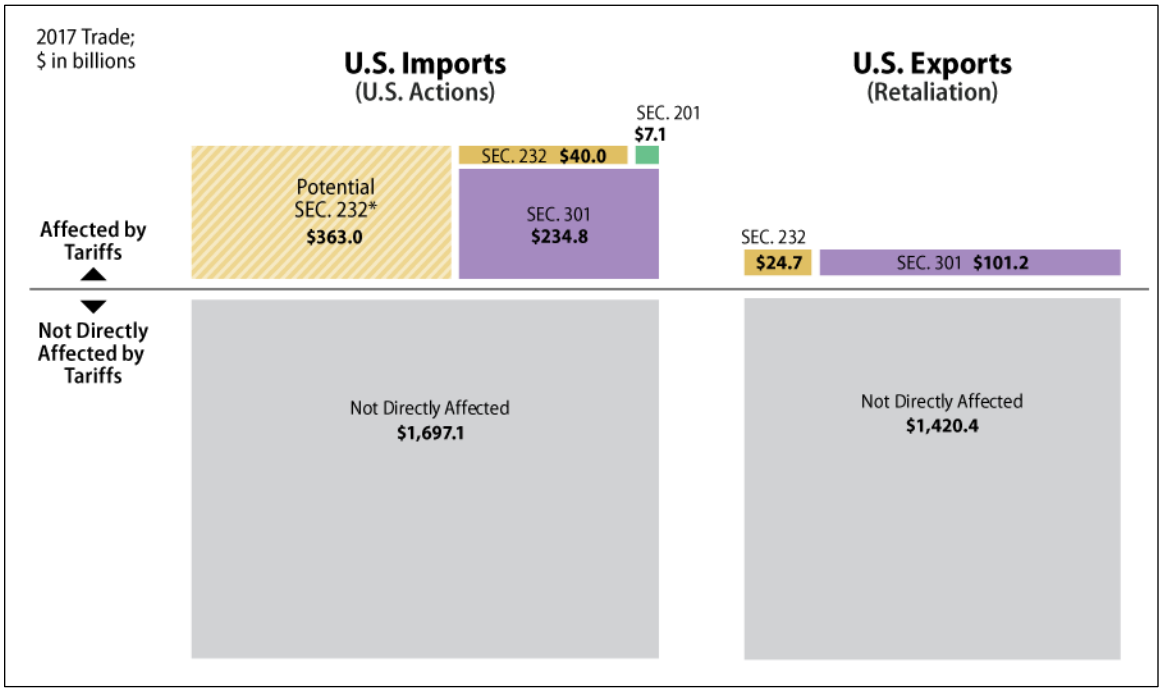
Notes: U.S. exports based on partner country import data. Product category classification is based on 3-digit Broad Economic Categories (BEC).

What share of annual U.S. trade is affected or potentially affected by the U.S. and retaliatory actions?

As a share of overall U.S. trade, approximately 12% of annual U.S. goods imports ($282 billion of $2,342 billion total imports) are subject to increased U.S. tariffs under the Trump Administration's actions (**Figure 8**). Approximately 8% of annual U.S. goods exports ($126 billion of $1,546 billion total exports) are subject to increased tariffs under partner country retaliatory actions. If the United States moves forward with additional tariffs under the two pending Section 232 investigations on U.S. imports of motor vehicles/parts and uranium, the share of affected U.S. imports could increase up to nearly 30%. U.S. motor vehicle and parts imports totaled $361 billion in 2017.[37]

[37] Motor vehicle and parts categorization sourced from U.S. Census Bureau's FT-900 publication, exhibit 17, available at https://www.census.gov/foreign-trade/Press-Release/2017pr/final_revisions/exh17.pdf.

Figure 8. Shares of U.S. Goods Trade Affected by Tariff Actions



Source: CRS analysis with data from U.S. Census Bureau and partner country

Notes: (*) Potential 232 action includes pending U.S. investigations on motor vehicles/parts and uranium imports, and may include some overlapping coverage with existing 301 tariffs.

What factors affect the products selected for retaliation?

A variety of factors likely go into a country's decision regarding which products to target for retaliation. Retaliatory tariffs are explicitly targeted to encourage the United States to remove its Section 232 and Section 301 tariffs, whereas the Trump Administration's enacted and proposed tariffs aim both to alter U.S. trading partners' practices more broadly, including reducing existing tariff and nontariff barriers, and to protect domestic industries. Retaliatory tariffs can have negative effects on both the exporting country (the United States) and the importing country imposing the retaliation. Therefore, retaliating countries are likely to target products that create the most pressure on the United States to change its policy while minimizing any negative effects on themselves. Some factors that may create greater pressure for U.S. policy change include: (1) demand for the targeted product is price sensitive (i.e., demand is price elastic), therefore a small tariff increase will lead to a sharper decline in exports; (2) the retaliating country is a major world market for the product, in which case the exports may not be easily diverted to other markets; and (3) the producers of the targeted products in the United States (i.e., those negatively affected by the tariffs) have high levels of political influence (e.g., the product is made in congressional districts with Members on key committees).

Factors that would decrease the negative effects on the importer (retaliating country) include: (1) other countries competitively produce the product allowing for alternate sourcing; and (2) importers can easily substitute a different product for the targeted import (e.g., substituting wheat for corn for animal feed).[38] Retaliating countries might also seek to impose similar tariffs as those

[38] Trump Administration officials have stated they are using a similar assessment in determining the products to target

against which they are retaliating (e.g., steel and aluminum are the top products subject to retaliation in response to the Administration's Section 232 steel and aluminum tariffs).[39] Retaliating countries may also seek to lessen the negative impacts of the tariffs on certain segments of the population (e.g., a country might target luxury goods consumed by higher income groups rather than basic food and apparel products that account for a larger share of low-income household consumption).

Once the President imposes tariffs, can the President change them?

Yes. The President has the authority to reduce, modify, or terminate import restrictions imposed under Sections 201, 232, and 301. Certain limitations on the President's authority to modify the tariffs apply as specified in the relevant statutes.[40] The President has adjusted several tariff increases since they were initially proclaimed. For example, the President increased the tariff on U.S. steel imports from Turkey under Section 232 from 25% to 50%.[41] However, certain U.S. importers of Turkish steel have brought a challenge to this tariff increase at the U.S. Court of International Trade. Similarly, the President has modified actions taken under Section 301 by increasing the scope of imports from China that are subject to new tariffs.[42] Some products have also received exemptions from the tariff measures, explained below.

What exemptions are allowed from the tariffs imposed to date?

Section 201

In Presidential Proclamation 9693, announcing the Section 201 action on solar products, the President gave the USTR 30 days to develop procedures for exclusion of particular products from the safeguard measure.[43] On February 14, 2018, the USTR published a notice establishing procedures to consider requests for the exclusion of particular products.[44] Based on that notice, the USTR received 48 product exclusion requests and 213 subsequent comments responding to these requests by the deadline, March 16, 2018. On September 19, 2018, the USTR announced a limited number of solar product exclusions, and indicated that additional requests received by the March 16, 2018 deadline remained under evaluation.[45]

---

through Section 301 tariffs. "We've targeted stuff that [importers] can buy from somebody else. So this maximizes harm to the Chinese producer, while minimizing cost to American consumers." Chairman of the Council of Economic Advisers, Kevin Hassett, Fox Business Interview, 9/19/2018, available at https://video.foxbusiness.com/v/5836918219001/.

[39] According to press reports, Mexico may be considering refining its retaliation lists to place greater emphasis on U.S. steel and aluminum exports. "Source: Mexico Tweaking Retaliatory Tariff list with New Congress in Mind," *World Trade Online*, December 5, 2018.

[40] See 19 U.S.C. §2254(b), 19 U.S.C. §1862(c), and 19 U.S.C. §2417.

[41] Executive Office of the President, "Adjusting Imports of Steel Into the United States," 83 *Federal Register* 45025-45030, September 4, 2018.

[42] USTR, "Notice of Modification of Section 301 Action," 83 *Federal Register* 47974-48192, September 21, 2018.

[43] Executive Office of the President, Proclamation 9693 of January 23, 2018, "To Facilitate Positive Adjustment to Competition from Imports of Certain Crystalline Silicon Photovoltaic Cells (Whether or Not Partially or Fully Assembled Into Other Products) and For Other Purposes," 83 *Federal Register* 3541, January 25, 2018.

[44] USTR, "Procedures to Consider Additional Requests for Exclusion of Particular Products From the Solar Products Safeguard Measure," 83 *Federal Register* 6670, February 14, 2019.

[45] USTR, "Exclusion of Particular Products from the Solar Products Safeguard Measure," 83 *Federal Register* 47393, September 19, 2018.

Canada is excluded from the additional duties on washers.[46] Certain developing countries were excluded, provided that they account for less than 3% individually or 9% collectively of U.S. imports of solar cells or large residential washers, respectively. All other countries are covered by the Section 201 trade actions.

Section 232

Individual countries and products may be exempted from the Section 232 tariffs.

Country Exemptions

According to the initial presidential proclamation, countries with which the United States has a "security relationship" may discuss "alternative ways" to address the national security threat posed by imports of steel and aluminum and gain an exemption from the tariffs. To date four countries have reached agreements with the United States exempting them from part or all of the Section 232 tariffs:

1. South Korea agreed to an absolute annual quota for 54 separate subcategories of steel in place of the steel tariffs.[47] South Korea did not negotiate an agreement on aluminum and has been subject to the aluminum tariffs since May 1, 2018.
2. Brazil was permanently exempted from the steel tariffs, having reached final quota agreements with the United States on steel imports.[48] Brazil, like South Korea, did not negotiate an agreement on aluminum and has been subject to the aluminum tariffs since June 1, 2018.
3. Argentina was permanently exempted from the steel and aluminum tariffs and agreed to absolute quotas for each.[49]
4. Australia gained a permanent exemption from the tariffs without any quantitative restrictions.

Product Exclusions

The 232 product exclusion process is administered by the Department of Commerce's Bureau of Industry and Security (BIS). Thousands of requests have been filed to date and the exclusion process has been the subject of criticism and scrutiny by several Members of Congress and other affected stakeholders. To limit potential negative domestic impacts of the tariffs on U.S. consumers and consuming industries, Commerce published an interim final rule for how parties located in the United States may request exclusions for items that are not "produced in the United

[46] Commitments in NAFTA allow for imports from Canada and Mexico to be included in U.S. global safeguard actions only if they individually account for a substantial share of total U.S. imports of the targeted products. The Trump Administration determined that U.S. washing machine imports from Canada did not satisfy this requirement and were therefore excluded from the action. Proclamation 9694 of January 23, 2018, "To Facilitate Positive Adjustment to Competition From Imports of Large Residential Washers," 83 *Federal Register* 3553, January 25, 2018.

[47] U.S. Customs and Border Protection, *QB 18-118 Steel Mill Articles (AMENDED)*, May 1, 2018, https://www.cbp.gov/trade/quota/bulletins/qb-18-118-steel-mill-articles.

[48] Proclamation 9759 of May 31, 2018, "Adjusting Imports of Steel into the United States," 83 *Federal Register* 25857, June 5, 2018.

[49] Proclamation 9758 of May 31, 2018 "Adjusting Imports of Aluminum into the United States," 83 *Federal Register* 25849, June 5, 2018.

States in a sufficient and reasonably available amount or of a satisfactory quality."[50] The rule went into effect the same day as publication to allow for immediate submissions.

Requesters must complete the official response form spreadsheets for each steel and aluminum exclusion and submit the forms on regulations.gov, where both requests for exclusions and objections to requests are posted.[51] There is no time limit for submitting an exclusion request. Each requester must complete a separate application for each product to be considered for exclusion. Exclusion determinations are to be based on national security considerations, but the specific nature of these considerations remain undefined. To minimize the impact of any exclusion, the interim rule allows only "individuals or organizations using steel articles ... in business activities ... in the United States to submit exclusion requests," eliminating the ability of larger umbrella groups or trade associations to submit petitions on behalf of member companies. A parallel requirement applies for aluminum requests. Any approved product exclusion will be limited to the individual or organization that submitted the specific exclusion request. Parties may also submit objections to any exclusion within 30 days after the exclusion request is posted. The review of exclusion requests and objections will not exceed 90 days. Exclusions will generally last for one year.

Companies and some Members of Congress have criticized the intensive, time-consuming process to submit exclusion requests, the lengthy waiting period for a response from Commerce, what some view as an arbitrary nature of acceptances and denials, and the fact that all exclusion requests to date have been rejected when a U.S. steel or aluminum producer has objected to it.[52] (See "Have Members of Congress and other stakeholders raised issues regarding the product exclusion process?") In response, Commerce announced a new rule to allow companies to rebut objections to petitions. The new rule, published September 11, 2018, includes new rebuttal mechanisms, more information about the exclusion submission requirements and process, and the criteria Commerce uses in deciding whether to grant an exclusion request.

In September, Commerce provided revised estimates of the anticipated number of exclusion requests (96,954) and objections (38,781).[53] To streamline and increase the transparency of the process, Commerce developed an online portal for users to submit requests for exclusions, objections, rebuttals, or surrebuttals. Commerce began testing the portal in December 2018 with the goal of implementing it in early 2019.[54]

Section 301

During the Section 301 notice and comment period on proposed Section 301 tariff increases, the USTR heard from a number of U.S. stakeholders who expressed opposition and/or concern about how such measures could impact their businesses, as well as U.S. consumers. In response, the USTR created a product exclusion process, whereby firms could petition for an exemption from

[50] Department of Commerce, Bureau of Industry and Security, "Requirements for Submissions Requesting Exclusions From the Remedies Instituted in Presidential Proclamations Adjusting Imports of Steel Into the United States and Adjusting Imports of Aluminum into the United States," 83 *Federal Register* 12106, March 19, 2018.

[51] Docket Number BIS-2018-0006 (Steel); Docket Number BIS-2018-0002, (Aluminum).

[52] Ed Crooks and Fan Fei, "Trade war winners and losers grapple with Trump tariff chaos," *The Financial Times*, July 23, 2018, and Jim Tankersley, "Steel Giants with Ties to Trump Officials Block Tariff Relief for Hundreds of Firms," *The New York Times*, August 5, 2018.

[53] Commerce, Submissions of Exclusion Requests and Objections to Submitted Requests for Steel and Aluminum," *83 Federal Register 46026*, September 11, 2018.

[54] Commerce, "Procedures for Participating in User Testing of the New Commerce 232 Exclusion Process Portal," *83 Federal Register 60393*, November 26, 2018.

the Section 301 tariff increases for specific imports. The USTR stated that product exclusion determinations would be made on a case-by-case basis, based on information provided by requesters that showed:

- Whether the particular product is available only from China;
- Whether the imposition of additional duties on the particular product would cause severe economic harm to the requester or other U.S. interests; and
- Whether the particular product is strategically important or related to "Made in China 2025" or other Chinese industrial programs.[55]

To date, USTR has only created this product exclusion process for the first two stages of tariff increases under Section 301. Several Members of Congress have sent letters to the USTR calling for an exclusion process for stage three tariffs as well. The joint explanatory statement to the FY2019 appropriations law (P.L. 116-6), enacted February 15, 2019, directs USTR to establish a product exclusion process for stage three tariffs within 30 days.[56]

How many product exclusion requests have been made?[57]

Section 201	The USTR received 48 product exclusion requests and 213 subsequent comments responding to these requests by the deadline, March 16, 2018. Product exclusions were granted for a limited number of solar products.
Section 232	The Department of Commerce notes that as of August 20, 2018, more than 38,000 exclusion requests and 17,000 objections to those requests had been received. More recent analysis by third parties suggest that as of November 5, 2018, 49,000 requests had been submitted with 12,276 granted, 5,073 denied, and 7,776 returned for re-submission, and as of December 20, 2018, interested parties had submitted 44,389 exclusion requests for steel and 6,013 for aluminum, and 15,509 objections had been filed (15,047 for steel and 462 for aluminum).
Section 301	Requests to the USTR for Stage 1 and Stage 2 exclusions were due by October 9, 2018, and December 18, 2018, respectively. According to the USTR, through January 30, 2019, there were 13,739 stage 1 and stage 2 tariff exclusion requests, of which 985 exclusions were granted and 2,499 requests denied. Requests not granted or denied remain under review.

[55] For more information, see CRS In Focus IF10964, *The Made in China 2025 Initiative: Economic Implications for the United States*, by Wayne M. Morrison.

[56] U.S. Congress, House Committee on Appropriations, *Explanatory Statement Regarding H.J. Res. 31, Consolidated Appropriations Act, 2019*, prepared by Chairwoman Nita Lowey, 116th Cong., 1st sess., February 11, 2019, available at https://docs.house.gov/billsthisweek/20190211/116hrpt9-JointExplanatoryStatement-u1.pdf.

[57] Official sources: Section 201 - USTR, "Exclusion of Particular Products from the Solar Products Safeguard Measure," 83 *Federal Register* 47393, September 19, 2018; Section 232 – Commerce, "Submissions of Exclusion Requests and Objections to Submitted Requests for Steel and Aluminum," 83 *Federal Register 46026*, September 11, 2018; Section 301 - USTR, "Section 301 Investigations", https://ustr.gov/issue-areas/enforcement/section-301-investigations/record-section-301-investigation. Third-party sources: "FOIA Documents Unmask the Tariff Exemption Process," *Marketplace*, November 5, 2018; Hinrich Foundation, "Special Report: Steel and Aluminum Tariff Exclusion Requests by Congressional District," *Trade Vistas*, December 20, 2018, https://tradevistas.org/special-report-steel-and-aluminum-tariff-exclusion-requests-by-congressional-district/; and "Tariff Exclusions for Certain Steel Imports Sow Confusion," *Wall Street Journal*, January 2, 2019.

Have Members of Congress and other stakeholders raised issues regarding the product exclusion process?

Several Members of Congress have raised concerns about the Section 232 exclusion process. For example, in a letter to Commerce Secretary Wilbur Ross, and at a June 2018 hearing, then-Chairman of the Senate Finance Committee Chairman Orrin Hatch and Ranking Member Ron Wyden urged improvements to the product exclusion procedures on the basis that the detailed data required placed an undue burden on petitioners and objectors. They also suggested that the process appeared to bar small businesses from relying on trade associations to consolidate data and make submissions on behalf of multiple businesses. The letter further stated that Commerce had not instituted a clear process for protecting business proprietary information.[58] In a follow-up letter to the Secretary of Commerce in December, Senators Hatch and Wyden recognized that some improvements had been made to the exclusion process but identified further issues raised by stakeholders and U.S. businesses. They asked Commerce to address the concerns by adhering to the published timelines for reviewing requests and making specific changes to how the agency handles requests with technical defects.[59]

Some Members have used multiple channels to continue to raise issues. A bipartisan group of House Members articulated concerns about the speed of the review process and the significant burden it places on manufacturers, especially small businesses.[60] The Members' letter included specific recommendations, such as allowing for broader product ranges to be included in a single request, allowing trade associations to petition, grandfathering existing contracts to avoid disruptions, and regularly reviewing the tariffs' effects and sunsetting them if they have a "significant negative impact."[61] In September 2018, during an oversight hearing, multiple Senators raised concerns directly to the Assistant Secretary for Export Administration, Bureau of Industry and Security at Commerce, about agency management of the Section 232 exclusion process, including staffing and funding levels, and the need for greater transparency, among other issues.[62]

Some Members have questioned the Administration's processes and ability to pick winners and losers through granting or denying exclusion requests. On August 9, 2018, Senator Ron Johnson requested that Commerce provide specific statistics and information on the exclusion requests and process and provide a briefing to the Committee on Homeland Security and Governmental Affairs. Senator Elizabeth Warren requested that the Commerce Inspector General investigate the implementation of the exclusion process, including a review of the processes and procedures Commerce has established, how they are being followed, and if exclusion decisions are made on a transparent, individual basis, free from political interference. She also requested evidence that the exclusions granted meet Commerce's stated goal of "protecting national security while also minimizing undue impact on downstream American industries," as well as evidence that the

[58] Letter from Senate Finance Committee Chairman Orrin G. Hatch and Ranking Member Ron Wyden to Wilbur L. Ross, Secretary of Commerce, April 19, 2018.

[59] Letter from Senate Finance Committee Chairman Orrin G. Hatch and Ranking Member Ron Wyden to Wilbur L. Ross, Secretary of Commerce, December 17, 2018.

[60] MIL OSI - ForeignAffairs.co.nz, "MIL-OSI USA: Walorski Calls for Changes to Tariff Product Exclusion Process for Manufacturers," ForeignAffairs.co.nz, May 8, 2018.

[61] Ibid.

[62] U.S. Congress, Senate Committee on Appropriations, Subcommittee on Commerce, Justice, Science, and Related Agencies, *Conduct Oversight of Bureau of Industry & Security, International Trade Administration, & US International Trade Commission*, 115th Cong., September 6, 2018.

exclusions granted to date strengthen the national security of the United States.[63] In response to a formal request by Senators Pat Toomey and Tom Carper, the Government Accountability Office (GAO) announced on December 12, 2018, it will investigate the Section 232 product exclusion process in early 2019.[64] Congress authorized additional funds for the Section 232 product exclusion process in the FY2019 appropriations law (P.L. 116-6), and in the accompanying joint explanatory statement, stipulated that Commerce provide quarterly reports to Congress on its administration of the process.[65]

The Section 301 exclusion process managed by USTR and effective for the first two tranches of Section 301 tariffs has not attracted the same level of attention from Congress as the Section 232 exclusion process. A bipartisan group of more than 160 Representatives, however, have urged the Administration to allow product exclusions on the third and largest tranche of Section 301 tariffs, and the joint explanatory statement to P.L. 116-6, directs USTR to establish such an exclusion process within 30 days of the law's enactment.[66]

Economic Implications of Tariff Actions

What are the general economic dynamics of a tariff increase and who are the economic stakeholders potentially affected?

Changes in tariffs affect economic activity directly by influencing the price of imported goods and indirectly through changes in exchange rates and real incomes. The extent of the price change and its impact on trade flows, employment, and production in the United States and abroad depend on resource constraints and how various economic actors (foreign producers of the goods subject to the tariffs, producers of domestic substitutes, producers in downstream industries, and consumers) respond as the effects of the increased tariffs reverberate throughout the economy. Retaliatory tariffs, which U.S. trading partners have imposed in response to U.S. Section 232 and Section 301 tariffs, also affect U.S. exporters. The following outcomes (summarized in **Table 1**) are generally expected at the level of individual firms and consumers:

[63] Letter from Senator Elizabeth Warren to the Commerce Department, August 29, 2018.

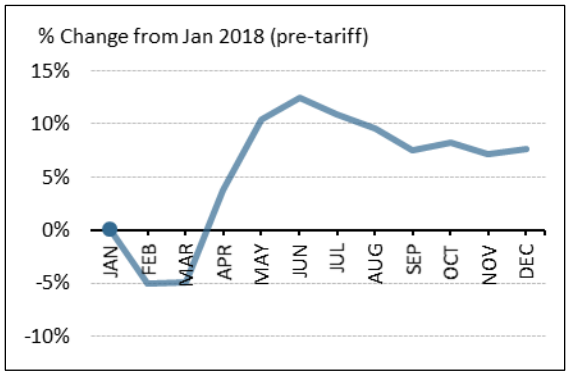
[64] Letter from U.S. Government Accountability Office to Senator Pat Toomey, December 12, 2018, available at https://www.toomey.senate.gov/files/documents/GAO_Trade.pdf.

[65] U.S. Congress, House Committee on Appropriations, *Explanatory Statement Regarding H.J. Res. 31, Consolidated Appropriations Act, 2019*, prepared by Chairwoman Nita Lowey, 116th Cong., 1st sess., February 11, 2019, available at https://docs.house.gov/billsthisweek/20190211/116hrpt9-JointExplanatoryStatement-u1.pdf.

[66] Letter from Jackie Walorski, Representative, Ron Kind, Representative, and Kevin McCarthy, Representative, et al. to Robert Lighthizer, USTR, October 15, 2018, https://kind.house.gov/sites/kind.house.gov/files/10-15-2018%20Letter%20to%20USTR%20RE%20301%20List%203%20Exclusions%20%28002%29.pdf.

- **U.S. consumers:** Higher tariff rates generally lead to price increases for consumers of the goods subject to the tariffs and for consumers of downstream products as input costs rise. Higher prices in turn lead to decreased consumption depending on consumers' price sensitivity for a particular product.[67] As one example, the monthly price of washing machines in the United States, which are currently subject to tariff increases under Section 201, has increased by as much as 12% compared to January 2018 before the tariffs became effective (**Figure 9**).

Figure 9. **U.S. Washing Machine Prices**



Source: CRS analysis based on U.S. Bureau of Labor Statistics (BLS) data.

Notes: Consumer price index series id CUUR0000SS30021 covers "laundry equipment."

- **U.S. producers of domestic substitutes:** U.S. producers competing with the imported goods subject to the tariffs (e.g., domestic steel and aluminum producers) may benefit to the degree they are able to charge higher prices for their domestic goods. However, in the short run, U.S. producers' ability to increase production may be limited. A broad index of U.S. steel producer prices was up 14% in December relative to March, when the Section 232 tariffs first took effect.[68] A similar price indicator for aluminum refining and primary aluminum production shows more volatile prices, with the index down 6.2% between March 2018 and December 2018.[69]

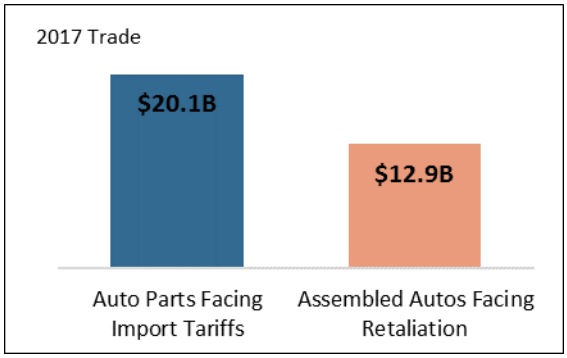
[67] The availability of substitutes is one factor determining consumer's elasticity of demand or change in demand relative to a given change in prices.

[68] BLS producer price index for iron, steel, and ferroalloy manufacturing, series ID PCU3311.

[69] BLS producer price index for alumina refining and primary aluminum production, series ID PCU33131331313.

- **U.S. producers in downstream industries:** U.S. producers using goods subject to the additional tariffs as inputs may be harmed because the tariffs may cause their costs to increase. U.S. motor vehicle producers may be among the industries most hurt since they face: (1) higher input costs for steel; (2) tariffs on parts accounting for $20 billion of annual imports; and (3) retaliatory tariffs on assembled motor vehicle exports to China accounting for $13 billion of annual exports (**Figure 10**).[70]

Figure 10. **Motor Vehicle Trade and Tariffs**



Source: CRS analysis using data from U.S. Census Bureau and Global Trade Atlas IHS Markit.

Notes: Includes all U.S. tariff actions and retaliatory tariffs. Based on 5-digit end use categories. China temporarily suspended its 25% retaliatory tariffs on motor vehicles on January 1, 2019, effective until April 1, 2019.

- **U.S. exporters subject to retaliatory tariffs:** U.S. exporters facing retaliatory tariffs may be at a price disadvantage in export markets relative to competitors from other countries, which may decrease demand for U.S. exports to those markets. Since Section 232 retaliatory tariffs took effect in the EU, Canada, and Mexico in July, U.S. average monthly exports of the products subject to retaliation have been below their pre-tariff monthly 2018 average by 37%, 23%, and 10%, respectively (**Figure 11**). China purchases such a large share of certain U.S. agricultural exports—China accounted for 57% of all U.S. soybean exports in 2017—its retaliatory tariffs and the subsequent decline in export sales may have contributed to depressed U.S. prices for some commodities.[71]
- **Foreign producers of the goods subject to the tariffs:** Foreign producers can also be affected by tariff increases if consumer demand falls in response to rising prices. In some instances, typically when demand is very price sensitive, or highly elastic, foreign producers may choose to lower their prices and absorb a portion of the tariff increase. The degree to which foreign producers change their prices in response to tariff changes is known as the tariff pass-through rate.[72] Over a longer time horizon, production may shift to other countries to avoid the increased tariffs imposed on products manufactured in the countries affected.[73]

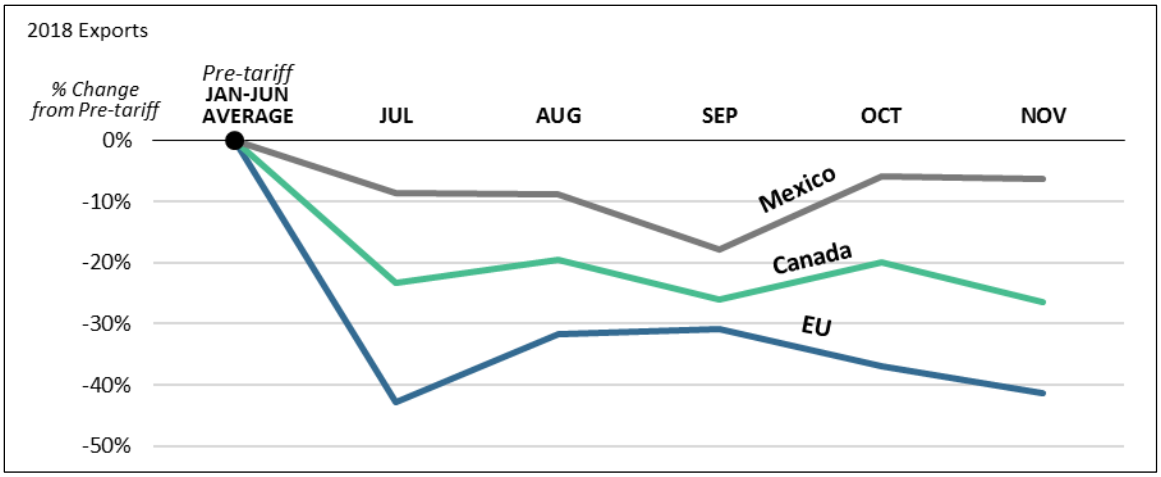
[70] China temporarily suspended its 25% retaliatory tariffs on motor vehicles on January 1, 2019, effective until April 1, 2019.

[71] For more information, see CRS Report R45448, *Profiles and Effects of Retaliatory Tariffs on U.S. Agricultural Exports*, by Jenny Hopkinson.

[72] A recent study by the European Network for Economic and Fiscal Policy Research, using previously estimated demand elasticities, estimates that Chinese firms will bear a relatively larger share of the Section 301 tariff burden than U.S. consumers. Benedikt Zoller-Rydzek and Gabriel Felbermayr, *Who is Paying for the Trade War with China?*, European Network for Economic and Fiscal Policy Research, EconPol Policy Brief 11, November 2018, http://www.econpol.eu/sites/default/files/2018-11/EconPol_Policy_Brief_11_Zoller_Felbermayr_Tariffs.pdf.

[73] News reports suggest the tariffs have led some companies with production facilities in China to consider moving to Southeast Asian nations, such as Vietnam. This could increase an already growing trend of shifting production in response to cheaper labor costs outside of China. "Chinese Firms Start to Cut Jobs and Move Overseas as U.S. Trade War and Rising Costs Start to Bite," *South China Morning Post*, September 21, 2018.

Figure 11. **U.S. Exports to EU, Canada, and Mexico subject to Section 232 Retaliation**



Source: CRS analysis with data from U.S. Census Bureau.

Notes: Exports subject to retaliation at 6-digit HTS classification.

Table 1. Potential Costs and Benefits of Increased Tariffs

Economic Group	Potential Costs	Potential Benefits
U.S. consumers	Higher prices on goods subject to import tariffs and downstream products facing higher input costs	Lower prices on products subject to export retaliation
U.S. producers of domestic substitutes		Increased profit margins as tariffs allow for higher prices in domestic market
U.S. producers of downstream products	Decreased profit margins as input costs rise	
U.S. exporters subject to retaliatory tariffs	Decreased profit margins as export sales decline and domestic prices fall due to lower foreign demand	
Foreign producers subject to tariffs	Decreased profit margins as demand falls with rising import prices in U.S. market	

Notes: Tariffs are only one of many variables affecting economic conditions in U.S. and global markets. Other factors, including fluctuations in the business cycle, exchange rates, and monetary policy may dominate the effects of the tariff changes.

In addition to these microeconomic effects, tariffs can also affect macroeconomic variables. With regard to the value of the U.S. dollar, as demand for foreign goods may fall in response to higher tariffs, U.S. demand for foreign currency may also fall, putting upward pressure on the relative exchange value of the dollar. This in turn would reduce demand for U.S. exports and increase demand for foreign imports, partly offsetting the effects of the tariffs. Tariffs may also affect national consumption patterns, depending on how the shift to higher cost domestic substitutes affects consumers' discretionary income and therefore aggregate demand. In the current tight labor environment tariffs may have less impact on overall U.S. employment levels, but may result in some movement of workers between industries and potential industry-specific unemployment as labor demand rises in domestic industries benefitting from the tariffs and falls in industries harmed by increased input costs or retaliatory tariffs. Economists generally agree that a

reallocation of resources, including capital and labor, based on price distortions such as tariffs reduces efficiency and productivity over the long run.

What do economic studies estimate as the potential impacts of the tariff actions on the U.S. economy?

U.S. government and international institutions, think tanks, and consulting groups have prepared estimates of the potential impacts of the tariffs by projecting trade values using historical trade data and various modeling techniques (**Table 2**). These studies have produced a range of estimates, but generally suggest a moderately negative impact. The Congressional Budget Office, for example, estimates a 0.1% decline in the annual U.S. GDP growth rate resulting from the tariffs currently in place, while the International Monetary Fund (IMF) estimates approximately a 0.2% decline in the annual U.S. GDP growth rate. Most studies show slight employment gains and production increases in U.S. industries competing with the imports subject to additional tariffs and declines in sectors facing retaliation and heavily reliant on inputs subject to additional tariffs.

The net estimated effects are relatively modest, because approximately 10.5% of U.S. annual trade (12% of imports and 8% of exports) is affected by the tariff actions to date and trade represents a moderate share of total U.S. economic activity (27% of U.S. GDP in 2017). However, the effects may be substantial for individual firms reliant either on imports subject to the U.S. tariffs or exports facing retaliatory measures, as well as consumers for whom the affected products account for a large share of consumption.

The effects could grow if U.S. tariff actions and retaliation escalates. The IMF, for example, estimates that U.S. GDP growth could fall by approximately 1% and global growth could fall by 0.8% if the United States goes forward with an additional 25% tariff on imports from China and on motor vehicle imports from a number of countries, and partner countries retaliate.[74] For context, in 2017 U.S. GDP was $19.5 trillion, making a 1% decline equivalent to a reduction in GDP of $195 billion. Staff from the Federal Reserve Board of Governors, recently noted that "trade policies and foreign economic developments could move in directions that have significant negative effects on U.S. economic growth."[75] Part of this decline in economic growth reflects concern that the tariff escalation also creates a general environment of uncertainty. Economic research on uncertainty suggests it may lead to lower investment and generally restrain economic activity, including trade.[76]

These estimates, however, should be interpreted with caution because (1) they require various assumptions that can affect the predicted outcomes; (2) the extent of the U.S. tariffs and retaliation has fluctuated significantly in recent months and is subject to change; and (3) some of the studies were produced or sponsored by stakeholders advancing specific interests. Economists from the Federal Reserve Bank of Atlanta also note that because tariffs have decreased

[74] International Monetary Fund, *World Economic Outlook 2018: Challenges to Steady Growth*, October 9, 2018, pp. 33-35, https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018.

[75] Federal Reserve Board of Governors, *Minutes of the Federal Open Market Committee December 18-19, 2018*, December 18, 2018, https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20181219.pdf.

[76] Kevin Kliesen, *Uncertainty and the Economy*, Federal Reserve Bank of St. Louis, April 2013, https://www.stlouisfed.org/publications/regional-economist/april-2013/uncertainty-and-the-economy; Cristina Constantinescu, Aaditya Mattoo, and Michele Ruta, *Trade Developments in 2016: Policy Uncertainty Weighs on World Trade*, World Bank, February 21, 2017, http://documents.worldbank.org/curated/en/228941487594148537/pdf/112930-v1-revised-PUBLIC-1706109-Global-Trade-Watch-Report-Web.pdf.

significantly over the past several decades, there is a dearth of recent empirical evidence to inform models on tariff increases.[77]

Table 2. Selected Studies on the Economic Impact of Recent Tariff Actions

Date	Institution	Tariff Focus	Predicted Effects
April 2018	Federal Reserve Bank of Dallas[a]	Section 232 steel and aluminum and hypothetical escalation with EU and China	0.24% decline in U.S. GDP annual growth rate and 0.45% decline in investment, increases to 3.49% decline in U.S. GDP annual growth with prohibitive tariffs on all U.S.-China and U.S.-EU trade
June 2018	The Trade Partnership[b]	Section 232 steel and aluminum	0.2% decline in U.S. GDP annual growth rate
July 2018	Peterson Institute for International Economics[c]	Proposed Section 232 auto tariffs	Price increases in U.S. motor vehicles ranging from $1,409 - $6,971, depending on vehicle type
September 2018	OECD[d]	All current tariffs and proposed increases	0.3-0.4% increase in U.S. price level from current tariffs, growing to 1% increase with new tariffs on autos and additional tariffs on Chinese imports
September 2018	Barclays[e]	Hypothetical 20% U.S.-China and U.S.-global trade tariffs	0.2-0.4% decline in U.S. GDP annual growth rate, rising to a 1.5% decline if U.S. increases tariffs to 20% on all partners
October 2018	International Monetary Fund[f]	All current tariffs and proposed increases	0.2% decline in U.S. GDP annual growth rate, growing to 1% decline with new tariffs on autos and additional tariffs on Chinese imports
November 2018	Coalition for Prosperous America[g]	Section 232 steel and aluminum	0.11% decline in U.S. GDP annual growth rate
November 2018	ImpactECON[h]	All current tariffs and proposed increases	1.78% decline in U.S. GDP annual growth rate, assuming additional U.S. tariffs on autos and Chinese imports and subsequent retaliation
December 2018	Economic Policy Institute[i]	Section 232 aluminum tariffs	Aluminum employment increase of 300 workers, eventually growing to 3,000
December 2018	The Tax Foundation[j]	All current tariffs and proposed increases	0.12% decline in U.S. GDP annual growth rate, growing to 0.5% decline with new tariffs on autos and additional tariffs on Chinese imports
January 2019	Congressional Budget Office[k]	All current tariffs	0.1% decline in U.S. GDP annual growth rate on average through 2029

Sources: Full citations for the studies below with hyperlinks embedded in the table above.

a. Michael Sposi and Kelvinder Virdi, *Steeling the U.S. Economy for the Impacts of Tariffs*, Federal Reserve Bank of Dallas, Economic Letter, Volume 13, No. 5, April 2018;

b. Joseph Francois, Laura M. Baughman, and Daniel Anthony, *Round 3: Trade Discussion of Trade War*, The Trade Partnership, Policy Brief, June 5, 2018;

c. Mary E. Lovely, Jeremie Cohen-Setton, and Euijin Jung, *Vehicular Assualt: Proposed Auto Tariffs will Hit American Car Buyers' Wallets*, Peterson Institute for International Economics, Policy Brief 18-16, July 2018;

d. OECD, *Interim Economic Outlook*, September 20, 2018;

e. Barclays, *U.S.- China Trade Tensions: When Giants Collide*, September 12, 2018;

[77] Charles Davidson, *The Challenge of Predicting Tariffs' Impact*, Federal Reserve Bank of Atlanta, May 15, 2018, https://www.frbatlanta.org/economy-matters/economic-research/2018/05/15/challenge-of-predicting-tariffs-impact.

f. International Monetary Fund, *World Economic Outlook 2018: Challenges to Steady Growth*, October 9, 2018, pp. 33-35;

g. Jeffrey Ferry and Steven L. Byers, *Measuring the Impact of the Steel Tariffs on the U.S. Economy*, Coalition for a Prosperous America, November 2018;

h. Terrie Walmsley and Peter Minor, *Estimated Impacts of US Sections 232 and 301 Trade Actions*, ImpactECON, November 2018;

i. Robert E. Scott, *Aluminum Tariffs Have Led to a Strong Recovery in Employment, Production, and Investment*, Economic Policy Institute, December 11, 2018;

j. Erica York, *The Economic and Distributional Impact of the Trump Administration's Tariff Actions*, The Tax Foundation, December 5, 2018;

k. Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, pp. 25-29.

What are some potential long-term effects of escalating tariffs between countries?

Most economists agree that the U.S. and global economies have benefitted significantly from the major reduction in global tariff rates that has taken place since the 1940s. If tariff rates were to increase for a significant period of time it could insulate domestic producers from foreign competition, and potentially lead to less efficient and competitive production. This in turn could lead to lower overall economic growth in the United States and abroad, since more closed economies are generally less dynamic, with less innovation and productivity growth. Furthermore, retaliatory tariffs are particularly damaging to U.S. exporters in foreign markets because, unlike multilateral tariffs, the retaliatory tariffs only target U.S. imports. Therefore, exporters from other countries that compete with U.S. firms are likely to be more competitive in the retaliatory markets. Recent trade agreements involving major U.S. trade partners, but not the United States, such as the new EU-Japan FTA and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP or TPP-11) agreement, which consists of the 11 countries remaining in the TPP following the U.S. withdrawal, may likely compound this competitive disadvantage for U.S. exporters.[78] Some argue it may be difficult for U.S. exporters to regain lost export opportunities in the future once importers establish relationships with suppliers from other countries.[79]

Another potential long-term effect of the tariffs is a shift in the U.S. role in international economic policymaking. While some stakeholders question the benefits of the dominant U.S. role in global rules-setting, others argue this has generally been of benefit to the United States, allowing U.S. priorities to feature prominently in existing international trade obligations.[80] There are also concerns over the potential geopolitical aspects of tariff escalation. Some argue that the highly integrated nature of the global economy today acts as a deterrent to military conflict.[81] Conversely, if tariff escalation creates a more fragmented global economy or imposes significant costs on a particular economy, it may lessen this deterrent.

[78] European Commission, "EU-Japan Trade Agreement on Track to Enter into Force in February 2019," press release, December 12, 2018, http://trade.ec.europa.eu/doclib/press/index.cfm?id=1954.

[79] "America's Farmers Won't Gain Back Everything They've Lost in Trump's Trade War," *Business Insider*, December 4, 2018.

[80] "Global Trade: Looking at the Big Picture," *Forbes*, February 13, 2018.

[81] Jonathan E. Hillman, *Trade Wars and Real Wars*, CSIS, Commentary, March 20, 2018, https://www.csis.org/analysis/trade-wars-and-real-wars.

Are there examples of U.S. producers benefitting or being harmed by the tariffs?

In addition to studies on the potential macroeconomic effects of the tariffs, a variety of anecdotal information on the tariffs' impact on specific businesses can be found in press reports or quarterly or annual company reporting. The President's tariff actions and subsequent retaliatory tariffs are only one of many factors influencing economic conditions for U.S. companies, making it difficult to assess the tariffs' direct effects.

In general, this anecdotal information largely conforms to the theoretical effects of the tariffs outlined in this report. Companies stating they have benefitted from the tariffs are producers competing with the imported products subject to the tariffs, while many downstream manufacturers and retailers assert they have been harmed. Many U.S. exporters subject to retaliatory tariffs also argue that these trade policy actions have negatively affected their operations. For some U.S. producers, the effects of the tariffs have been more complex, including companies that are both benefitting from higher domestic prices due to the tariffs while also being harmed by higher input costs. Companies with major overseas operations argue they have been indirectly harmed through lower sales abroad resulting from an economic slowdown in the countries subject to the Administration's tariff actions. The text box below provides selected examples of companies in each of these four broad categories.

Selected Companies with U.S. Operations Affected by the Tariffs

U.S. Producers Reportedly Benefitting from Increased Prices

- **ArcelorMittal (steel)** – Company officials stated the tariffs were a "net positive," and CEO Lakshmi N. Mittal stated trade policies "helped in structurally changing the landscape of the steel industry," while reporting a profit increase to $1.9 billion in the second quarter of 2018, up 41% from the same quarter the previous year,[82]
- **Nucor (steel)** – CEO John Ferriola announced the "second strongest quarter in Nucor's history" for the second quarter of 2018 arguing that the company benefitted from reduced imports resulting from "the broad-based tariffs imposed under Section 232."[83]
- **Century Aluminum (aluminum)** – CEO Michael Bless, whose company is chiefly a domestic producer and the main proponent of the tariff, claims it has "created the conditions to support the restart of the U.S. primary aluminum capacity . . . Once all the announced restarts are back online, U.S. production will be up 60%."[84]

U.S. Retailers and Downstream Producers Reportedly Harmed from Increased Prices

- **Walmart** – CEO Doug McMillon stated that the company would attempt to delay price increases as long as possible but that it was being affected by Section 301 tariffs and eventually, it would be forced to increase prices, with worries about "what customers will have to pay if tariffs do escalate."[85]
- **Ford** – Ford CEO James Hackett claims that metals tariffs cost the company roughly $1 billion in profits.[86]

[82] "Trump Tariffs are Lifting Profits, Steel Giant ArcelorMittal Says," *New York Times*, August 1, 2018.

[83] Nucor Corporation, "Q2 2018 Results Earnings Conference Call," press release, July 19, 2018, https://www.nasdaq.com/aspx/call-transcript.aspx?StoryId=4188556&Title=nucor-corporation-nue-ceo-john-ferriola-on-q2-2018-results-earnings-call-transcript.

[84] Century Aluminum, "2nd Quarter 2018 Earnings Final Transcript," August 1, 2018, pp, 6-7, https://centuryaluminum.gcs-web.com/financial-information/quarterly-results.

[85] "Walmart CEO Worries What Consumers Will Have to Pay if Trade War Escalates," *CNBC*, December 6, 2018.

[86] "Trump Metal Tariffs will Cost Ford $1 Billion in Profits, CEO Says," *Reuters*, September 26, 2018, Business News.

- **Caterpillar** – Claims that tariffs on steel and aluminum added $40 million to costs in the third quarter of 2018, with expectations of costs around $100 million for the second half of the year.[87]
- **Beverage Companies** – Warn that because they package their products in aluminum cans, the 10% tariff will force them to increase product prices. For example, the malt beverage industry claims that the tariff will cost it about $348 million, making it more difficult to grow and further invest in their U.S. operations.[88] Coca-Cola's CEO James Quincey said the company expects to increase prices in part because the tariff on imported aluminum has made Coke cans more expensive to produce.[89]

U.S. Exporters Reportedly Harmed by Retaliatory Tariffs

- **Tyson Foods** – Stated concerns over retaliatory tariff actions in Canada and Mexico, noting "because of the ongoing trade war and the tariffs it's produced – we're getting less for our products in some key markets."[90] Pork is one of the largest U.S. export categories facing retaliatory tariffs in Canada and Mexico.
- **Harley-Davidson** – Claimed that EU retaliatory tariffs raise the costs of its exports to the EU by $2,200 per motorcycle and stated intent to shift production to Europe to avoid this additional cost, while news reports suggest the metal tariffs could increase domestic production costs by $20 million.[91]
- **Brown-Forman (Jack Daniels)** – The maker of Jack Daniels argued retaliatory tariffs would reduce 2018 profits by 6%.[92] Whiskey is one of the largest U.S. export categories facing retaliatory tariffs in the EU.

Companies Highlighting Complex Effects of Tariff Actions

- **Apple** – In a letter to shareholders Apple projected revenues 7.6% lower for the first fiscal quarter of 2019, due in part to a declining economic environment in China resulting from U.S. trade tensions.[93]
- **Whirlpool** – CEO Marc Bitzer argued that "one area of concern for us is the unintended consequence of the tariffs."[94] The President's Section 201 tariffs on washing machines were intended to benefit U.S. appliance manufacturers facing import competition, but Whirlpool claims subsequent Section 232 tariffs on steel and aluminum have raised input costs, while retaliatory tariffs have hurt exports.
- **Alcoa (aluminum)** – Alcoa, the largest domestic producer with substantial overseas production, argues the tariffs cost it $15 million in June 2018, with CEO Roy Harvey stating "Tariffs will not solve the challenges facing the aluminum industry."[95]

Notes: Bloomberg has compiled press and financial reports for a number of countries effected by the tariffs available at https://www.bloomberg.com/graphics/tariff-tracker/.

How are Section 301 tariffs affecting global supply chains?

China plays an important role for many U.S. multinational firms that rely on global supply chains to manufacture their products. In some cases, U.S. firms source production of parts and components around the world and use China as a final point of assembly for products (e.g., Apple Corporation's iPhone), which are then largely exported.[96] In other instances, firms import parts

[87] "Caterpillar Knocked Back by Concerns over Rising Tariff-Related Costs," *Financial Times*, October 23, 2018.

[88] John Dunham & Associates, *The Impact of Potential Aluminum Import Tariffs or Quotas on America's Malt Beverage Industry*, The Beer Institute, March 4, 2018, http://www.beerinstitute.org/tariffs-aluminum-tax-beer/.

[89] Emily Price, "Coca-Cola CEO Says Steel and Aluminum Tariffs are Impacting its Business," July 25, 2018.

[90] Tyson Foods, "The Trouble with Tariffs," blogpost, August 3, 2018, available at https://www.tysonfoods.com/the-feed-blog/trouble-tariffs.

[91] "Harley-Davidson is Fighting the Trade Wars on Two Fronts," *Wall Street Journal*, June 25, 2018.

[92] "Jack Daniel's Maker Brown-Forman Lowers Profit Forecast as Tariff Bite," *Reuters*, August 29, 2018.

[93] "Tim Cook Blames Trump's Trade War with China as a Big Factor in Apple's Slowdown," *Business Insider*, January 2, 2019.

[94] "Ohio Whirlpool Plant Runs Hot and Cold on Tariffs," *NBC News*, August 1, 2018.

[95] "Alcoa Shares Drop As Investors Worry About Tariff Impacts," *Wall Street Journal*, July 19, 2018.

[96] According to Apple Corporation, it used over 200 corporate suppliers with nearly 900 facilities located around the

and components from China to use them in manufacturing products domestically. The use of global supply chains often enables firms to concentrate more of their activities on higher value-added activities. Such factors enable firms to lower costs (making them more globally competitive) and reduce prices for consumers (increasing their purchasing power), which should boost economic growth. The extensive use of global supply chains also result in U.S. imports from China containing foreign-made intermediates, including from the United States. A study by the Organization for Economic Cooperation and Development (OECD) estimated that 40.2% of the value of China's manufactured gross exports in 2011 came from foreign inputs. Many U.S. firms have argued that imposing increased tariffs on imports from China will disrupt global supply chains and could undermine the competitiveness of U.S. firms. To illustrate in a July 27, 2018, letter to USTR Robert Lighthizer, forty-nine members of the Congressional Semiconductor Caucus stated that while the signers supported the Administration's goals of improving China's practices on intellectual property rights, forced technology transfer, and innovation, they opposed using tariff increases to obtain such results:

> Tariffs on semiconductors will not impact Chinese companies since they export almost no semiconductors to the U.S. market. Instead these tariffs would harm U.S. companies and innovators. Most U.S. imports of semiconductors from China are designed and manufactured by U.S. firms, largely in the United States, then shipped to China for final assembly, test, and packaging. This step in the semiconductor manufacturing process comprises approximately 10 percent of the final value of the product and does not result in the transfer of valuable IP. Similarly, imports of finished semiconductor tools are essentially non-existent. Rather, imports of relatively low-value/low-IP components are incorporated into the high value-added tools made by the U.S. equipment makers and sold around the world.[97]

Are there estimates of economic implications at the state level?

The U.S. Chamber of Commerce[98] and the Brookings Institution[99] have examined how the retaliatory tariffs could affect state and metropolitan economies by tallying the total exports subject to retaliation by location. The Chamber's website allows users to select a specific state for more information, while Brookings' website includes a downloadable dataset searchable by specific metropolitan area. According to Brookings, although major metropolitan areas Houston, Chicago, Los Angeles, Dallas, Seattle, and Detroit export the largest overall value of products subject to retaliatory tariffs, with over $2 billion of annual exports affected from each metropolitan area, some rural communities have a much larger share of their total exports subject to retaliation as their exports may be concentrated in certain industries.

State-level trade data are also accessible directly from the Census Bureau at usatrade.census.gov.

---

world. The top five largest country sources of these facilities in 2017 were China (358), Japan (137), the United States (64), Taiwan (55), and South Korea (34).

[97] The letter can be found at http://blog.semiconductors.org/blog. For more information about the U.S. semiconductor industry and its global supply chain, see CRS Report R44544, *U.S. Semiconductor Manufacturing: Industry Trends, Global Competition, Federal Policy*, by Michaela D. Platzer and John F. Sargent Jr.

[98] U.S. Chamber of Commerce, "Trade Works. Tariffs Don't," available at https://www.uschamber.com/tariffs.

[99] Brookings Institution, "Which U.S. Communities are Most Affected by Chinese, EU, and NAFTA Retaliatory Tariffs?" available at https://www.brookings.edu/research/which-us-communities-are-most-affected-by-chinese-eu-and-nafta-retaliatory-tariffs/.

Are there programs to aid farmers potentially harmed by the tariffs?

The U.S. Department of Agriculture (USDA) is making available about $12 billion in financial assistance to farmers and ranchers affected by the retaliatory tariffs in the form of direct payments, food purchases, and export promotion assistance.[100] USDA expects that about $9.6 billion will be used for direct payments to qualifying agricultural producers of soybeans, corn, cotton, sorghum, wheat, hogs, dairy, fresh sweet cherries, and shelled almonds. Of those funds, more than three-fourths ($7.3 billion) of the payments are likely to go to soybean producers.[101] To be eligible, a producer must have an ownership share in the commodity, be actively engaged in farming, and be in compliance with adjusted gross income restrictions and conservation provisions. Payments are capped on a per-person or per-legal-entity basis. The sign-up period to request assistance ended on February 14, 2019.[102]

The Administration has also created a Food Purchase and Distribution Program that is to undertake $1.2 billion in government purchases of excess food supplies. USDA has targeted an initial 29 commodities for purchase and distribution through domestic nutrition assistance programs. Purchasing orders and distribution activities are to be adjusted based on the demand by the recipient food assistance programs geographically. The smallest piece of the trade aid package is an allocation of $200 million to boost the trade promotion efforts at USDA. U.S. trade partners have reportedly raised questions over the overall U.S. aid package at WTO Agriculture Committee meetings and are closely monitoring U.S. compliance with related WTO obligations on subsidies.[103]

How will the tariff actions affect the U.S. trade balance?

President Trump has repeatedly raised concerns over the size of the U.S. goods trade deficit (i.e., the amount by which total U.S. goods imports exceed total U.S. goods exports), including making trade deficit reduction a stated objective in new U.S. trade agreement negotiations.[104] While tariffs are expected to reduce imports initially, they are unlikely to reduce the overall trade deficit due to at least two indirect effects that counteract the initial reduction in imports. One indirect effect is a potential change in the value of the U.S. dollar relative to foreign currencies. A reduction in imports reduces demand for foreign currency, putting upward pressure on the foreign exchange value of the U.S. dollar, thereby making U.S. exports more expensive abroad and imports less expensive in the United States. Another potential effect of U.S. import tariffs is retaliatory tariffs, which are likely to reduce demand for U.S. exports. Recent empirical research

[100] For more on the trade aid package, see CRS Report R45310, *Farm Policy: USDA's Trade Aid Package*, by Randy Schnepf et al.

[101] U.S. soybean exports to China are subject to a 25% retaliatory tariff, which has resulted in a considerable reduction in U.S. soybean exports there. China was the top export market for U.S. soybeans in 2017, worth about $12 billion.

[102] USDA Farm Service Agency, "Deadline Extensions for FSA Programs," January 28, 2019.

[103] "U.S. Tries to Ease WTO Members' Concerns over $12 Billion Aid Package," *World Trade Online*, September 27, 2018.

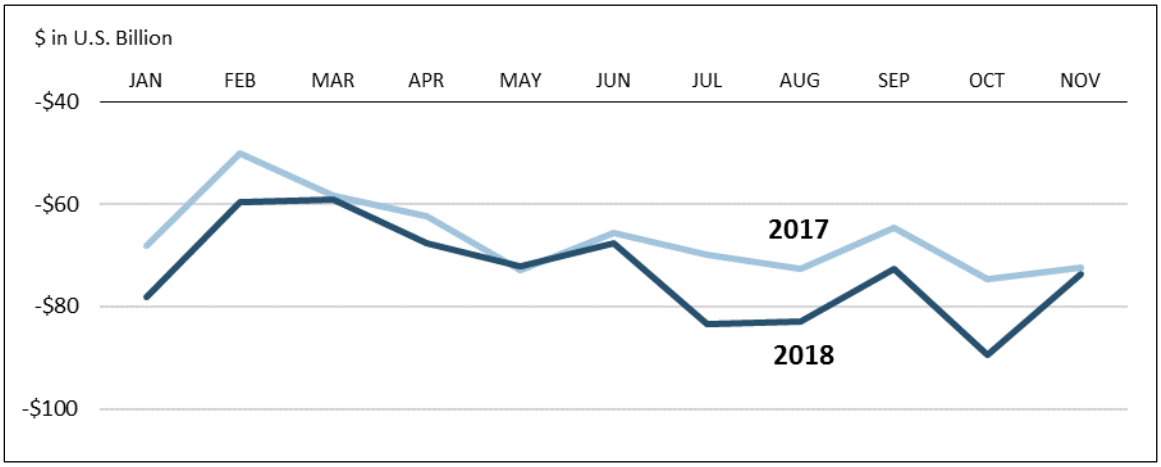
[104] USTR, "Summary of Specific Negotiating Objectives for the Initiation of United States-Japan Trade Agreement (USJTA) Negotiations," December 2018, available at https://ustr.gov/sites/default/files/2018.12.21_Summary_of_U.S.-Japan_Negotiating_Objectives.pdf.

studying tariff adjustments in a panel of countries supports this theoretical framework and finds no significant evidence of tariffs improving a country's trade balance.[105]

Economists generally also argue that while tariffs placed on imports from a limited number of trading partners may reduce the bilateral U.S. trade deficit with those specific countries, this is likely to be offset by an increase in the trade deficit or reduction in the trade surplus with other countries, leaving the total U.S. trade deficit largely unchanged. This is because the trade deficit generally reflects a shortfall in national saving relative to investment, which tariffs do not address.[106]

The U.S. goods trade deficit grew in 2018. From January to November 2018, the latest month for which trade data are available, the U.S. goods trade deficit totaled $806 billion, increasing from $731 billion for the same period in 2017. In every month except May, the goods trade deficit was larger in 2018 compared to the same month in 2017 (**Figure 12**). This may reflect broader positive economic conditions: when the U.S. economy grows demand for both domestic and imported goods rises. It may also, in part, be a result of importers front-loading purchases of foreign goods in an attempt to avoid potentially higher tariffs in the future. Meanwhile, a trade-weighted index of the exchange value of the U.S. dollar against the currencies of a broad group of major trading partners increased by about 10% throughout 2018.[107] The strengthening dollar counteracts the effect of the tariffs by making imports less costly in the United States and U.S. exports more costly in foreign markets.

Figure 12. U.S. Monthly Goods Trade Balance



Source: CRS analysis with data from U.S. Census Bureau.

[105] Davide Furceri et al., "Macroeconomic Consequences of Tariffs," December 2018, working paper presented at IMF Annual Research Conference, available at http://faculty.haas.berkeley.edu/arose/Tariffs.pdf.

[106] George P. Schultz and Martin Feldstein, "Everything You Need to Know about Trade Economics, in 70 Words," *Washington Post*, May 5, 2017, Opinions.

[107] Board of Governors of the Federal Reserve System (US), Trade Weighted U.S. Dollar Index: Broad [TWEXB], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/TWEXB, January 17, 2019.

Presidential Trade Authorities and Congress

What are the steps involved in imposing increased tariffs pursuant to the current authorities?

Through Section 201, 232, and 301, Congress has delegated to the President some of its constitutional authority to enact import restrictions, including certain tariff changes. Each of the authorities require an investigation and recommendations of appropriate actions by a key agency; the Department of Commerce and USTR have primary roles in Section 232 and 301 investigations, respectively, while the International Trade Commission (ITC), an independent agency with an equal number of Democratic and Republican commissioners, oversees Section 201 investigations.

Section 201	• Section 201 investigations, which assess whether imports are the substantial cause or threat of serious injury to a domestic industry, are conducted by the ITC and generally initiated by a written petition filed by a trade association, firm, union, or group of workers representing a U.S. industry. The House Ways and Means Committee or Senate Finance Committee may also enact resolutions that trigger investigations. Finally, an investigation may be initiated at the request of the USTR, or at the ITC's own initiative. • The ITC, in the first phase, focuses on the industry and whether it is being seriously injured or threatened with serious injury. If so, the agency determines whether an increase in imports is a "substantial cause" thereof. This phase must be completed within 120-150 days after the filing of the petition, with possible extensions. If the ITC reaches a negative determination, the investigation ends. • If the ITC makes an affirmative injury determination, it considers time-limited actions that would address the serious injury and would be most effective in facilitating the industry's positive adjustment to import competition, and presents its findings to the President (180 days after petition filing). • The President then has 60 days to decide which, if any, of the ITC's recommendations to implement with a potential 15-day extension if more information is requested. The President may implement the ITC's recommendations, modify them, or do nothing. • The President is required to report to Congress in writing, describing the action, or lack of action, and the reasons for it. If the President's action differs from the ITC's recommendation, or if the President takes no action, Congress may enact a joint resolution of disapproval within 90 days of receiving the President's report, in which case the ITC's recommendation becomes the remedy, and the President must proclaim it within 30 days.
Section 232	• Section 232 investigations, which assess whether the targeted product is being imported in certain quantities or under such circumstances to impair U.S. national security, are initiated through a request by the head of any U.S. department or agency, by application by an interested party, or through self-initiation by the Secretary of Commerce. • Commerce conducts the investigation based on federal regulations codified in 15 CFR § 705 and consults with the Secretary of Defense, other government officials, and the public, if appropriate. • Within 270 days from the initiation date, Commerce provides a report to the President indicating whether or not a potential national security threat exists and providing recommendations. • If Commerce reaches a negative determination, Commerce informs the President and no further action is required. • If Commerce makes an affirmative determination, the President, upon receipt of the report, has 90 days to determine whether to concur with its findings; and if so, to determine a course of action. • The President has 15 days to implement any action.

	• The President has 30 days to submit a written statement to Congress explaining the actions or inaction.
Section 301	• Section 301 investigations, which assess whether a U.S. trade partner is violating trade agreement commitments or engaging in discriminatory or unreasonable practices that burden or restrict U.S. commerce, can be initiated as a result of a petition filed by an interested party with the USTR or by the agency itself. • Once the USTR begins a Section 301 investigation, it must seek a negotiated settlement with the foreign country concerned, either through compensation or an elimination of the particular barrier or practice. • For cases that the USTR considers "involve a trade agreement," because they implicate U.S. obligations under, for example, the Uruguay Round agreements in the WTO, the USTR is required to use the formal dispute proceedings specified by the agreement. • For Section 301 cases, except those involving a trade agreement or an IPR issue, the USTR has 12 to 18 months to seek a negotiated resolution. • If one is not obtained, the USTR determines whether or not to retaliate (which usually takes the form of increased tariffs on selected imports) at a level equivalent to the estimated economic losses incurred by U.S. firms from the foreign barrier or practice.

Notes: Under Section 301, the USTR is also authorized to impose "other import restrictions." When a trade agreement is involved the USTR can suspend or withdraw benefits. See CRS Legal Sidebar LSB10108, *Tricks of the Trade: Section 301 Investigation of Chinese Intellectual Property Practices Concludes (Part I)*, by Brandon J. Murrill.

What legislation has been introduced to alter the President's current authority and how would it do so?

Multiple proposals have been introduced in both the 115th and 116th Congress to amend the President's trade authorities, particularly with respect to Section 232. The majority of these proposals would expand the role of Congress in determining whether or not to impose tariffs.

In the 116th Congress, debate over congressional and executive powers to regulate tariffs has generated multiple proposals to limit the President's trade authorities, along with other reforms (see **Table 3**). Examples include measures that would:

1. Require congressional approval before certain Presidential trade actions would go into effect;[108]
2. For the purposes of Section 232 investigations, explicitly define national security and related imports, and task the independent ITC with administering a product exclusion request process;[109]
3. Transfer primary responsibility for Section 232 investigations to the Secretary of Defense from the Secretary of Commerce;[110]
4. Provide an option for Congress to nullify Section 232 actions, by passing a joint disapproval resolution;[111] and

[108] See S. 287, introduced by Senator Toomey, and H.R. 940, introduced by Rep. Mike Gallagher; both would require congressional approval of Section 232 actions. Also see H.R. 723 introduced by Rep. Warren Davidson, which would require congressional approval for any unilateral Presidential trade action (including Section 301 and Section 232) that is in place for longer than 90 days.

[109] See S. 287, introduced by Senator Toomey, and H.R. 940, introduced by Rep. Mike Gallagher.

[110] See S. 287, introduced by Senator Toomey, H.R. 940, introduced by Rep. Mike Gallagher, S. 365, introduced by Senator Rob Portman, and H.R. 1008, introduced by Rep. Ron Kind.

[111] See S. 365, introduced by Senator Rob Portman, and H.R. 1008, introduced by Rep. Ron Kind.

5. Stall the current Section 232 investigation into auto imports.[112]

In contrast to proposals to limit the President's trade authority, the White House is actively supporting a measure introduced by Representative Sean Duffy (H.R. 764), that seeks to expand the President's authorities. H.R. 764 would grant the President additional authority to increase tariff rates to match the rates of foreign trading partners, on a country-by-country and product-by-product basis.[113]

Table 3. Select Proposals to Amend Certain Trade Authorities: 116th Congress

Bills listed by date of introduction (Through February 10, 2019)

Legislation	Title	Trade Authority Concerned	Brief Description
S. 365 / H.R. 1008	Trade Security Act	Sec. 232	Amends Sec. 232 to allow for a congressional joint disapproval resolution to nullify presidential actions; and to transfer investigatory authority to the Secretary of Defense.
S. 287 / H.R. 940	Bicameral Congressional Trade Authority Act of 2019	Sec. 232	Amends Sec. 232 to require congressional approval of presidential actions; to transfer investigatory authority to the Secretary of Defense; and to explicitly define national security and related imports.
H.R. 764	United States Reciprocal Trade Act	New authorities	Expands the President's authorities to impose tariffs, beyond the scope of Sec. 232, Sec. 301, and Sec. 201.
H.R. 723	Global Trade Accountability Act of 2019	Sec. 232, Sec. 301	Amends Sec. 232, Sec. 301, and other trade authorities to require congressional approval of unilateral trade actions.
S. 121	Automotive Jobs Act of 2019	Sec. 232	Stalls the current Sec. 232 investigation into auto imports, and requires a study of the U.S. auto industry by USITC.
H.Con.Res. 2	Reclaiming Congress's Constitutional Mandate in Trade Resolution	New authorities	Establishes an ad hoc committee to develop a plan to transfer responsibilities from USTR to the legislative branch.

Source: CRS, compiled from Congress.gov

Notes: Sec. 201= Section 201 of the Trade Act of 1974; Sec. 232 = Section 232 of the Trade Expansion Act of 1962; Sec. 301 = Section 301 of the Trade Act of 1974.

In the 115th Congress, proposals to amend trade authorities varied, though most focused on potential modifications to Section 232. Some proposals sought to require additional consultations with Congress[114] or require congressional approval or disapproval of certain trade actions.[115] Other proposals sought to override or suspend specific trade actions by the Trump

[112] See S. 121, introduced by Senator Doug Jones.

[113] The United States currently ascribes to the nondiscriminatory "most favored nation" principle of the World Trade Organization agreements, whereby a tariff rate is applied equally to all WTO trading partners.

[114] E.g. S. 3230 (115th Congress).

[115] E.g. H.R. 6923, S. 3329, H.R. 5760, H.R. 5281, S. 177, H.R. 6337, S. 177, and S. 3013 (115th Congress).

Administration.[116] A nonbinding motion calling for a congressional role in Section 232 actions passed the Senate, but no other bills to amend the President's trade authorities passed in the 115th Congress.[117]

Tariff Revenue Questions

What additional U.S. revenue has been collected from the tariffs?

U.S. Customs and Border Protection (CBP) assesses and collects duties on U.S. imports, including the additional duties imposed as a result of the President's tariff actions. According to information provided by CBP, the following revenue was assessed from the additional duties imposed by the President's tariff actions as of February 21, 2019 (note the tariffs were imposed at different times during 2018 and therefore the collected revenue does not represent a full calendar year):

Section 201	$612 million;
Section 232	$4,298 million for steel and $1,379 million for aluminum; and
Section 301	$12,194 million.

What happens to the revenue collected from the tariffs?

The tariffs collected are put in the general fund of the U.S. Treasury and are not allocated to a specific fund, but are available for appropriations.

In other more historical cases, revenue from duties on U.S. imports has been dedicated to specific uses. Examples include:

- Section 32 of The Agriculture Adjustment Act[118] provides for a permanent annual fiscal year appropriation to the U.S. Department of Agriculture (USDA) equal to 30% of "the gross receipts from [all] duties collected under the customs laws" during the calendar year preceding the beginning of the fiscal year for which they were appropriated.
- Section 203 of the Emergency Wetlands Resources Act of 1985[119] requires that quarterly payments of an amount equal to the amount of all import duties collected on arms and ammunition (HTSUS chapter 93) be used to partially fund a Migratory Bird Conservation Fund (MBCF), administered by the Department of the Interior.
- Section 3 of the Recreational Boating Safety and Facilities Act of 1980, as amended (P.L. 96-451; 16 U.S.C. § 1606a), requires the Secretary of the Treasury to transfer, "at least quarterly," to the Reforestation Trust Fund (RT) "an amount

[116] E.g., S. 2538, S. 3266 (115th Congress).

[117] In July 2018, Senator Bob Corker proposed a motion to instruct conferees to include "language providing a role for Congress in making a determination under Section 232 of the Trade Expansion Act of 1962" into an energy and water appropriations bill (H.R. 5895). The Senate approved the motion by a vote of 88-11.[117] The motion was nonbinding, and neither the conference report nor the bill signed by the President (P.L. 115-244) included language on Section 232 of the Trade Expansion Act of 1962.

[118] Section 32 of the Act of August 24, 1935; ch. 641, as amended; 7 U.S.C. § 612c.

[119] P.L. 93-645;16 U.S.C. § 3912, as amended.

equal to the sum of the tariffs received" on imports of forest and wood articles classified under specified headings of the HTSUS,[120] subject to a cap of $30 million each fiscal year.

- The Continued Dumping and Subsidy Offset Act (CDSOA) of 2000, (Title X of P.L. 106-387) known as the "Byrd Amendment," amended existing antidumping and countervailing duty (CVD) laws by requiring that duties assessed pursuant to an AD or CVD order[121] were to be deposited by CBP into special accounts[122] and then distributed to "affected parties" (defined as a manufacturer, producer, farmer, rancher, worker representative, or association involved in or in support of an AD or CVD investigation) for certain "qualifying expenditures" (such as manufacturing facilities and equipment), as outlined in the Act. In 2003, however, WTO dispute settlement and Appellate Body panels determined that the law violated U.S. obligations under the WTO Antidumping and Subsidies Agreements.[123] Congress repealed CDSOA on February 8, 2006.[124]

How does additional tariff revenue compare to the U.S. national debt?

On August 5, 2018, President Trump announced that the increased tariffs his Administration has imposed on steel, aluminum, washing machines, solar panels, and a variety of imported Chinese goods will begin to generate sufficient revenue to reduce the federal debt.[125] The U.S. federal debt represents an accumulation of government borrowing over time, including as a result of annual budget deficits (i.e., when federal government outlays exceed revenue).[126] In fiscal year 2018, the federal budget deficit was $779 billion and is projected by the Congressional Budget Office (CBO) to total $897 billion in FY2019, thus contributing to an increasing federal debt.[127] The cumulative publicly held federal debt totaled $15.8 trillion at the end of FY2018, and is projected

[120] The law specifies that the transfer be equivalent to duties on goods under HTS "headings 4401 through 4412 and subheadings 4418.50.00, 4418.90.20, 4420.10.00, 4420.90.80, 4421.90.10 through 4421.90.20, and 4421.90.70 of chapter 44, subheadings 6808.00.00 and 6809.11.00 of chapter 68 and subheading 9614.10.00 of chapter 96."

[121] AD and CVD orders are directives to U.S. Customs and Border Protection (CBP) issued by the International Trade Administration (ITA) if an AD or CVD investigation results in final affirmative determinations by the U.S. International Trade Commission (ITC) and the ITA that a U.S. industry is being injured (or threatened with injury) as a result of dumping or subsidies.

[122] See *19 Code of Federal Regulations* § 159.64. Prior to the CDSOA, AD and CV funds were deposited in the U.S. Treasury. Since CDSOA's repeal, duties from AD and CV cases, except retroactive disbursements under the CDSOA, are again deposited in Treasury accounts.

[123] In part, the Appellate Body upheld the dispute panel's finding that "the CDSOA is a non-permissible specific action against dumping or a subsidy, contrary to Article 18.1 of the *Anti-Dumping Agreement* and Article 32.1 of the *SCM Agreement*." WTO, *United States - Continued Dumping and Subsidy Offset Act of 2000 - AB-2002-7 - Report of the Appellate Body*, WTO/DS217/AB/R; WT/DS/234/AB/R, January 16, 2003.

[124] Section 7601 of P.L. 109-171, the Deficit Reduction Act of 2005.

[125] Donald J. Trump, Twitter, @realDonaldTrump, August 5, 2018, https://twitter.com/realDonaldTrump/status/1026076959980302336.

[126] The federal government incurs a budget deficit when total outlays exceed revenues. If revenues are greater than outlays, the government incurs a surplus. The federal debt, on the other hand, represents the accumulation of government borrowing activity from private citizens, institutions, and domestic and foreign governments. Debt levels increase when there are budget deficits, net outflows for federal credit programs, or increases in intragovernmental debt. For more detail, see CRS In Focus IF10549, *Deficits and Debt*, by Grant A. Driessen.

[127] Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, p. 7, https://www.cbo.gov/system/files?file=2019-01/54918-Outlook.pdf.

to increase to $16.6 trillion by the end of FY2019. To reduce the federal debt, the President's tariff actions would have to generate enough revenue to turn the projected budget deficit into a surplus, which could then be used to pay down the federal debt.

Accounting for the additional tariffs imposed by the Administration to date, CBO projects that customs duties could generate additional revenue of approximately $34 billion in FY2019, or less than 4% of the projected FY2019 budget deficit.[128] This suggests that at current levels, the President's tariff actions may slightly reduce the annual U.S. budget deficit, but will not generate a budget surplus and therefore will not reduce the annual U.S. debt, though they may result in the debt increasing at a slightly slower rate than would otherwise occur.

Moreover, dynamic effects of the tariffs would be likely to reduce these revenues over time as price increases resulting from the tariffs are likely to shift consumption patterns toward less expensive alternatives (i.e. goods not subject to the tariffs). If the tariffs have a negative effect on economic growth, as most economists and CBO predict, they could also result in lower tax revenues more broadly as economic activity declines. In recent history, customs duties resulting from tariffs have not been a significant source of U.S. government revenue. In FY2018, individual income taxes generated more than half (50.6%) of U.S. government revenue, while tariffs or custom duties accounted for less than 2% of total receipts.[129]

What are the economic implications of raising revenue through tariffs?

Taxes create a distortion from market-based signals by altering the price of various economic activities. These altered prices can in turn alter economic outcomes more broadly as market actors make consumption and production decisions in response. Economists generally argue in favor of policies that minimize market distortions as much as possible, especially when they affect production and the allocation of resources. Tariffs or duties are a tax on imports, which raise the price of imports relative to domestic goods, encouraging consumption of domestic goods relative to foreign goods, and thereby potentially shifting production and diverting resources away from relatively efficient economic activities towards less efficient ones.[130] Although there are instances in which economic theory suggests markets may not produce an optimal outcome, economists generally assert that tariffs are not the best tool to address these market failures.[131]

Governments, however, must collect revenue in order to fund their services. From an economist's viewpoint, the best source of revenue is one that creates the least distortion of economic activity. Tariffs are generally not viewed as the least distortionary tax. A potential benefit of tariffs as a source of revenue for some countries is the relative simplicity of their collection, which may explain why they remain significant as a share of government revenue in some least developed countries.[132] Economists, however, generally urge developing countries to lessen their reliance on

[128] CBO projections for the FY2019 budget deficit incorporate the projected additional revenue from the Administration's current tariff actions.

[129] Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, p. 91, https://www.cbo.gov/system/files?file=2019-01/54918-Outlook.pdf.

[130] "Why Tariffs are Bad Taxes," *Economist*, July 31, 2018.

[131] Davide Furceri et al., "Macroeconomic Consequences of Tariffs," December 2018, working paper presented at IMF Annual Research Conference, available at http://faculty.haas.berkeley.edu/arose/Tariffs.pdf.

[132] Przemyslaw Kowalski, *Impact of Changes in Tariffs on Developing Countries' Government Revenue*, OECD, OECD Trade Policy Working Papers No. 18, April 18, 2005.

tariffs as a revenue source due to concerns that tariffs may lead to an inefficient allocation of resources.[133] Until the 1910s, custom duties or tariffs were the main source of revenue for the U.S. government; since the creation of the current federal income tax system in 1913, tariff revenue has become an increasingly smaller share of the federal government's total budget receipts, accounting for less than 2% of total receipts in FY2018.[134]

In addition to tariffs possibly distorting the allocation of resources, they may also represent a less progressive form of taxation. As with other taxes, the burden of tariffs does not fall uniformly across goods or demographic groups; instead, it falls more heavily on traded goods and the populations that purchase them. Studies generally have found that, in the United States, tariffs harm low- and middle-income households more than high-income households, in large part because lower-income households spend more—as a proportion of their total expenditures—on tradable goods like food and apparel.[135]

Relation to WTO and U.S. Trade Agreements

How do the Administration's unilateral tariff actions and other countries' retaliatory actions relate to existing commitments at the WTO and in bilateral and regional trade agreements?

Through multilateral (WTO) and bilateral and regional trade (FTA) agreements, the United States and its trading partners have committed not to raise tariffs above certain levels with limited exceptions. These exceptions include specific tariffs in response to unfairly traded goods that may cause or threaten to cause material injury, such as imports dumped on U.S. markets at below-production prices (anti-dumping duties) or imports benefitting from government subsidies (countervailing duties) as well as time-limited safeguard actions when a surge in fairly traded imports injures or threatens to injure a domestic industry.[136] U.S. trade agreements also generally include broad exceptions for actions deemed necessary for "essential security interests."[137] The United States argues that its recent tariff actions are allowed under WTO and FTA rules, while U.S. trading partners allege the U.S. actions are inconsistent with these rules and have responded with retaliatory tariffs and initiated dispute settlement actions to resolve their concerns. The United States meanwhile alleges that these retaliatory tariffs are likewise inconsistent with WTO and FTA rules and has similarly initiated WTO dispute settlement procedures in response.

What dispute-settlement actions have U.S. trading partners taken?

Several countries allege that U.S. actions are inconsistent with WTO rules and have initiated complaints under the WTO dispute settlement system, over tariffs imposed under Section 201 (safeguards), Section 232 (national security), and Section 301 ("unfair" trading practices) (**Table**

[133] Ibid.

[134] Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, p. 91, https://www.cbo.gov/system/files?file=2019-01/54918-Outlook.pdf.

[135] Jason Furman, Katheryn Russ, and Jay Shambaugh, "U.S. Tariffs are an Aribtrary and Regressive Tax," VoxEU, January 12, 2017, https://voxeu.org/article/us-tariffs-are-arbitrary-and-regressive-tax.

[136] For more information, see CRS In Focus IF10018, *Trade Remedies: Antidumping and Countervailing Duties*, by Vivian C. Jones and CRS In Focus IF10786, *Safeguards: Section 201 of the Trade Act of 1974*, by Vivian C. Jones.

[137] For example, see NAFTA Article 2102 and GATT Article XXI.

4). The first step in the dispute settlement process is to request consultations, which provides WTO parties the opportunity to discuss the complaint and seek to reach a negotiated resolution without proceeding to litigation.[138] If consultations fail to resolve the dispute (or if a party denies the request for consultations), the complainant country may request adjudication of the dispute by a WTO panel. The panel issues a ruling on whether the offending measure is consistent with the relevant provisions under WTO agreements; panel decisions can be appealed.

Section 201	South Korea and China have requested separate consultations with the United States over safeguard duties imposed on imports of crystalline silicon photovoltaic products (solar cells and modules). South Korea also initiated a dispute over U.S. safeguard duties on imports of residential washers. In September 2018, WTO panels were established for the South Korean-U.S. cases.
Section 232	Nine WTO members, including major U.S. trading partners Canada, China, the EU, and Mexico, initiated complaints over U.S. tariffs on steel and aluminum imports. Most of the requests for consultations, and subsequent retaliatory actions, to date were notified to the WTO pursuant to the Agreement on Safeguards, though some also allege that U.S. tariff measures and related exemptions are contrary to U.S. obligations under several provisions of the General Agreement on Tariffs and Trade (GATT)—the foundational WTO agreement that sets binding international rules on trade in goods. Other WTO members have also requested to join the consultations as third parties. Consultations were unsuccessful in resolving the disputes, and panels have been established in all nine cases.
Section 301	China has also initiated complaints at the WTO regarding U.S. Section 301 tariffs. The disputes were filed in response to the U.S. list of proposed 25% tariffs on $50 billion of Chinese imports (to be imposed in two-stages) and following the imposition of U.S. tariffs on $16 billion of Chinese imports.

Table 4. WTO Challenges to Tariff Measures Imposed by Trump Administration Under U.S. Trade Laws

Issue	Complainant country	Dispute number	Date Filed / Status
SECTION 201			
U.S. safeguard measure on crystalline silicon photovoltaic products	South Korea	DS545	5/14/18 consultations requested; 9/26/18 panel established
	China	DS562	8/14/18 consultations requested
U.S. safeguard measure on large residential washers imports	South Korea	DS546	5/14/18 consultations requested; 9/26/18 panel established
SECTION 232			
U.S. tariffs on steel and aluminum imports	China	DS544	4/05/18 consultations requested; 11/21/18 panel established
	India	DS547	5/18/18 consultations requested 12/4/18 panel established

[138] For more detail on the WTO dispute settlement process, see https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm and CRS In Focus IF10645, *Dispute Settlement in U.S. Trade Agreements*, by Ian F. Fergusson.

Issue	Complainant country	Dispute number	Date Filed / Status
	EU	DS548	6/01/18 consultations requested; 11/2/18 panel established
	Canada	DS550	6/01/18 consultations requested; 11/21/18 panel established
	Mexico	DS551	6/05/18 consultations requested; 11/21/18 panel established
	Norway	DS552	6/12/18 consultations requested; 11/21/18 panel established
	Russia	DS554	6/29/18 consultations requested; 11/21/18 panel established
	Switzerland	DS556	7/09/18 consultations requested; 12/4/18 panel established
	Turkey	DS564	8/15/18 consultations requested; 11/21/18 panel established
SECTION 301			
U.S. tariffs on certain Chinese imports	China	DS543	4/04/18 consultations requested; 1/28/19 panel established
	China	DS565	8/23/18 consultations requested

Source: WTO, https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm.

Notes: Status as of January 29, 2019.

What dispute-settlement actions has the United States taken?

On July 16, 2018, the United States filed its own WTO complaints over the retaliatory tariffs imposed by five countries (Canada, China, the EU, Mexico, and Turkey) in response to U.S. tariffs on steel and aluminum imports under Section 232. In late August, the United States filed a similar case against Russia. The United States has invoked the so-called national security exception in GATT Article XXI in defense of the tariffs, stating that the tariffs are not safeguards as claimed by the other WTO members in their consultation requests. As of the end of January 2019, all of the disputes are in the panel phase (**Table 5**).

Table 5. U.S. WTO Disputes Over Retaliatory Tariffs Imposed on U.S. Products

Respondent country	Dispute number	Date Filed / Status
Canada	DS557	7/16/18 consultations requested; 11/21/18 panel established
China	DS558	7/16/18 consultations requested; 11/21/18 panel established
EU	DS559	7/16/18 consultations requested; 11/21/18 panel established

Mexico	DS560	7/16/18 consultations requested; 11/21/18 panel established
Turkey	DS561	7/16/18 consultations requested; 10/18/18 supplemental consultations requested; 1/28/19 panel established
Russia	DS566	8/27/18 consultations requested; 12/18/18 panel established

Source: WTO, https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm.
Notes: Status as of January 29, 2019.

Do the Administration's tariff actions potentially affect ongoing or proposed U.S. trade agreement negotiations?

The Administration's tariff actions have likely affected U.S. trade agreement negotiations in a number of ways. On one hand, existing and threatened tariffs may have adverse economic implications for certain U.S. trading partners (e.g., new motor vehicle tariffs on the EU and Japan) and may have encouraged those countries to enter negotiations with the United States to remove this threat of new tariffs as part of broader FTA negotiations. The tariffs, however, may have created a more contentious and unpredictable environment for U.S. trade agreement negotiations, since trade agreement partners may be concerned new tariffs could be imposed after they have entered into new agreements with the United States. Perhaps as a result, the Administration has begun negotiating specific language in its trade agreements regarding exemptions from new potential tariffs. For example, the proposed USMCA (renegotiated NAFTA) provides a specific exemption from potential new Section 232 motor vehicle tariffs for a limited amount of auto trade among the parties.[139] Other countries may seek similar assurances in future U.S. FTA negotiations, including the proposed U.S. FTA negotiations with the EU, Japan, and the United Kingdom.[140] Such language is unprecedented in U.S. FTAs. Concerns over the Section 232 steel and aluminum tariffs, which were not addressed in the USCMA, may also affect congressional approval of the renegotiated agreement.[141]

Why have some observers raised concerns over the potential impact of the Administration's actions on the global trading system?

The United States was a chief architect of the post-World War II global trading system, including the WTO's dispute settlement mechanism. Critics have expressed concerns that the unilateral tariff actions will cause the United States to lose its standing as the predominant global leader of an open and rules-based trading system and chief supporter of more liberalized trade. With regard to the Section 301 actions, China, in particular, may see this shift in U.S. approach as an opportunity to take a more prominent role in setting global trade rules and standards that benefit or promote its interests and that may undermine those of the United States. China's media

[139] For more information, see CRS In Focus IF10997, *Proposed U.S.-Mexico-Canada (USMCA) Trade Agreement*, by Ian F. Fergusson and M. Angeles Villarreal.

[140] U.S. FTA negotiations with the United Kingdom (UK) are contingent on the UK leaving the EU. For more information, see CRS Report R44817, *U.S.-UK Free Trade Agreement: Prospects and Issues for Congress*, by Shayerah Ilias Akhtar.

[141] "Brady: Congress not Willing to Consider USMCA until 232 Tariffs are Lifted," *World Trade Online*, February 1, 2019.

increasingly touts its economic system as a model for other countries to follow. In addition, U.S. Section 301 tariffs could harm a number of economies that depend on trade with China, either directly or as part of global supply chains, thus damaging relations with the United States.

Retaliatory actions may also heighten concerns over the potential strain the Section 232 tariffs place on the international trading system. Many U.S. trading partners view the Section 232 actions as protectionist and in violation of U.S. commitments at the WTO and in U.S. FTAs, while the Trump Administration views the actions within its rights under those same commitments.[142] Others have followed suit with retaliatory actions, which may violate their WTO commitments. If the dispute settlement process in those agreements cannot satisfactorily resolve this conflict, it could lead to further unilateral actions and a tit-for-tat process of increasing retaliation. This potential strain comes at a time when the United States has called for broader reforms of the WTO dispute settlement process, specifically with regard to the appellate body mechanism.[143]

Additional Sources of Information

What other CRS products provide further information on these issues?

Section 201	• CRS In Focus IF10786, *Safeguards: Section 201 of the Trade Act of 1974*, by Vivian C. Jones • CRS In Focus IF10819, *Domestic Solar Manufacturing and New U.S. Tariffs*, by Michaela D. Platzer • CRS In Focus IF10781, *U.S. Solar Manufacturing and Global Competition*, by Michaela D. Platzer
Section 232	• CRS Report R45249, *Section 232 Investigations: Overview and Issues for Congress*, coordinated by Rachel F. Fefer and Vivian C. Jones • CRS In Focus IF10667, *Section 232 of the Trade Expansion Act of 1962*, by Rachel F. Fefer and Vivian C. Jones • CRS In Focus IF10971, *Section 232 Auto Investigation*, coordinated by Rachel F. Fefer • CRS In Focus IF10998, *Effects of U.S. Tariff Action on U.S. Aluminum Manufacturing*, by Michaela D. Platzer • CRS In Focus IF10902, *Trade Actions and U.S. Steel Manufacturing*, by Michaela D. Platzer
Section 301	• CRS In Focus IF10708, *Enforcing U.S. Trade Laws: Section 301 and China*, by Wayne M. Morrison • CRS In Focus IF10030, *U.S.-China Trade Issues*, by Wayne M. Morrison • CRS Report RL33536, *China-U.S. Trade Issues*, by Wayne M. Morrison
Trump Administration Tariffs and Retaliation Overview	• CRS Insight IN10943, *Escalating Tariffs: Timeline*, coordinated by Brock R. Williams • CRS Report R44707, *Presidential Authority over Trade: Imposing Tariffs and Duties*, by Brandon J. Murrill • CRS Report R45448, *Profiles and Effects of Retaliatory Tariffs on U.S. Agricultural Exports*, by Jenny Hopkinson

[142] For example, see China, "United States – Certain Measures on Steel and Aluminum Products Request for Consultations by China," WTO WT/DS544/1, April 9, 2018; and United States, "Certain Measures on Steel and Aluminum Products," WTO WT/DS544/2, April 17, 2018.

[143] For more on these potential reforms, see CRS Report R45417, *World Trade Organization: Overview and Future Direction*, coordinated by Cathleen D. Cimino-Isaacs.

What official sources of information are publicly available regarding the U.S. and retaliatory tariff actions?

Official sources of information regarding the U.S. tariff actions are publicly available through the government agencies responsible for investigating imports or enforcing tariff laws. The following resources include embedded links to agency documents as well as footnotes with official links.

The Department of Commerce (Section 232 Investigations)

The Department of Commerce is the agency responsible for investigating Section 232 cases. Commerce's Bureau of Industry and Security (BIS) has published investigation reports and relevant FAQs on its website. Notices and submitted public comments are available in the *Federal Register* and on *Regulations.gov*.

- Final Investigation Reports on Section 232 Investigations (1981-2018)[144]
- Compilation of BIS documents related to the steel[145] and aluminum[146] investigations and imposed tariffs
- FAQ on Product Exclusions for Section 232 Steel and Aluminum Tariffs[147]
- Find Objections, Rebuttals, and Surrebuttals for Section 232 Product Exclusion Requests[148]
- Commerce has published *Federal Register* notices announcing investigations, requesting public comment, and outline product exclusion procedures.[149]
- Commerce has solicited and published public comments and product exclusion requests through *Regulations.gov.* The following dockets compile comments and related documents:
    - Aluminum (Docket: BIS-2018-0002)
    - Steel (Docket: BIS-2018-0006)
    - Auto and auto parts (Docket: DOC-2018-0002)
    - Uranium (Docket: BIS-2018-0011)

U.S. International Trade Commission (ITC) (Section 201 Investigations)

ITC, the agency responsible for investigating Section 201 cases, has compiled lists of relevant documents concerning the investigations into imports of solar panels and washing machines. These resources include investigation documents, final reports by the Commission, and the primary *Federal Register* notices. ITC also maintains the *U.S. Harmonized Tariff Schedule* (HTS), which provides tariff rates for all merchandise imported into the United States. The tariff

[144] https://www.bis.doc.gov/index.php/other-areas/office-of-technology-evaluation-ote/section-232-investigations. The webpage also includes a program guide to Section 232 investigations.

[145] https://www.commerce.gov/issues/trade-enforcement/section-232-steel.

[146] https://www.commerce.gov/issues/trade-enforcement/section-232-aluminum.

[147] https://www.bis.doc.gov/index.php/all-articles/224-232-investigations.

[148] https://www.commerce.gov/page/section-232-investigations.

[149] To search the federal register, see: Federalregister.gov or https://www.govinfo.gov/app/collection/FR.

actions currently imposed under Section 201, Section 232, and Section 301 are noted within Chapter 99 of the HTS, which documents temporary modifications to the tariff schedule.

- ITC documents on safeguard investigation into solar panels[150]
- ITC documents on safeguard investigation into washing machines[151]
- *The U.S. Harmonized Tariff Schedule (HTS): Chapter 99*

Office of the U.S. Trade Representative (USTR) (Section 301 Investigations)

USTR, the agency responsible for investigating Section 301 cases, has compiled relevant documents about the Section 301 tariffs against Chinese intellectual property practices on its website. The following USTR resources include the official notices, hearing transcripts, final lists of products subject to additional tariffs, and information on product exclusions.

- *Findings of the Investigation into China's Acts, Policy, and Practices* (March 22, 2018)[152]
- Section 301 Investigations and Related Documents[153]
- Section 301 Hearings into Proposed Tariffs[154]
- Section 301: How to Request an Exclusion[155]
- USTR has solicited and published public comments and product exclusion requests on *Regulations.gov*.[156] The following dockets compile comments on proposed regulations and related documents, by trade action:

  Stage 1 Tariffs
  - Notice and comments (Docket: USTR-2018-0005)
  - Product exclusions (Docket: USTR-2018-0025)

  Stage 2 Tariffs
  - Notice and comments (Docket: USTR-2018-0018)
  - Product exclusions (Docket: USTR-2018-0032)

  Stage 3 Tariffs
  - Notice and comments (Docket: USTR-2018-0026)

The White House

The President has announced these tariff actions through proclamation and presidential memorandum. Presidential documents are published in the *Federal Register:*

[150] https://www.usitc.gov/investigations/title_7/2017/crystalline_silicon_photovoltaic_cells_whether_or/safeguard.htm.

[151] https://www.usitc.gov/investigations/title_7/2017/large_residential_washers/safeguard.htm.

[152] https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF.

[153] https://ustr.gov/issue-areas/enforcement/section-301-investigations/record-section-301-investigation.

[154] https://ustr.gov/issue-areas/enforcement/section-301-investigations/record-section-301-investigation/section-301.

[155] https://ustr.gov/issue-areas/enforcement/section-301-investigations/request-exclusion.

[156] https://www.regulations.gov/; relevant dockets include: USTR-2018-0005; USTR-2018-0025; USTR-2018-0018; USTR-2018-0032; USTR-2018-0026.

- Presidential proclamations on Section 201 (Donald J. Trump)[157]
- Presidential proclamations on Section 232 (Donald J. Trump)[158]
- Presidential documents on Section 301 (Donald J. Trump)[159]
- Other presidential statements regarding tariff actions are posted on WhiteHouse.gov.

Customs and Border Protection (CBP)

CBP is the agency responsible for enforcing customs laws and collecting tariff revenue**.** The CBP website includes guidance on recent tariff actions for importers.

- Duty on Imports of Steel and Aluminum Articles under Section 232 of the Trade Expansion Act of 1962[160]
- Section 301 Trade Remedies – Frequently Asked Questions[161]
- *Quota Bulletins*, which track certain imports that are subject to quotas or quantitative limits.[162]

[157] Presidential Proclamation 9693 (January 25, 2018); Presidential Proclamation 9694 (January 25, 2018).

[158] Presidential Proclamation 9776 (August 29, 2018); Presidential Proclamation 9777 (August 29, 2018); Presidential Proclamation 9772 (August 10, 2018); Presidential Proclamation 9758 (May 31, 2018); Presidential Proclamation 9759 (May 31, 2018); Presidential Proclamation 9739 (April 30, 2018); Presidential Proclamation 9740 (April 30, 2018); Presidential Proclamation 9710 (March 22, 2018); Presidential Proclamation 9711 (March 22, 2018); Presidential Proclamation 9704 (March 8, 2018); Presidential Proclamation 9705 (March 8, 2018).

[159] Presidential Memo, March 22, 2018 (83 FR 13099); Presidential Memo, August 14, 2017 (82 FR 39007).

[160] https://www.cbp.gov/trade/programs-administration/entry-summary/232-tariffs-aluminum-and-steel.

[161]https://help.cbp.gov/app/answers/detail/a_id/3679/kw/duty%20rate%20china/session/L3RpbWUvMTUzODA3ODM0MC9zaWQvbFc0eVRSWG4%3D.

[162] https://www.cbp.gov/trade/quota/bulletins.

Author Information

Brock R. Williams, Coordinator
Specialist in International Trade and Finance

Cathleen D. Cimino-Isaacs
Analyst in International Trade and Finance

Rachel F. Fefer
Analyst in International Trade and Finance

Keigh E. Hammond
Research Librarian

Vivian C. Jones
Specialist in International Trade and Finance

Wayne M. Morrison
Specialist in Asian Trade and Finance

Andres B. Schwarzenberg
Analyst in International Trade and Finance

Acknowledgments

Jennifer M. Roscoe, Research Assistant, and Amber Hope Wilhelm, Visual Information Specialist, developed the graphics for this report.

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.