



## Tariffs Bulletin October 2019



### Maine Pointe's quick guide on tariffs: Insights to protect your supply chain

As new tariffs and continuing geopolitical uncertainties unsettle global markets and fuel concerns of a global recession, Maine Pointe's tariffs bulletin provides a regular update on the latest developments. We consider how, in a business environment where uncertainty is the only certainty, organizations can transform their global supply chain to protect against the growing threat posed by price increases and protectionism.

#### The US and the EU

On October 2, the WTO ruled in favor of the US in its 15-year battle with the EU over illegal subsidies for aircraft manufacturers, Airbus and Boeing. This has opened up a new chapter in the trade wars that are depressing the world's economies. The ruling gives the US the right to introduce tariffs on \$7.5Bn of imports from the EU from October 18. Hours after the WTO decision, the US Trade Representative announced plans to introduce tariffs of 10% on EU aircraft parts and 25% on a range of other products including clothing, cheese, whisky and wine mostly imported from France, Germany, Spain and the United Kingdom.

[Click here](#) to see full list of affected products

WTO law prohibits the EU from imposing retaliatory tariffs. However, later this year trade arbitrators are expected make a separate ruling allowing the EU to impose duties on US imports. This is a result of the WTO's finding that Boeing received billions of dollars of illegal subsidies from the US. In anticipation of this, the bloc has released a preliminary list of \$12Bn worth of US goods it plans to target.

#### The US and China

The thirteenth round of trade talks between the US and China took place in Washington on October 10 and 11. The talks resulted in a "phase one deal" that will go some way to easing trade tensions. The agreement will include Beijing agreeing to buy between \$40-50Bn in US agricultural products and will address financial services and technology theft. In return, the US will postpone its plans to increase tariffs from 23% to 30% on \$250Bn of Chinese goods from October 15. However, the agreement falls short of a comprehensive deal and, according to US Trade Representative, Robert Lighthizer, does not affect the 15% tariffs on \$160Bn of Chinese goods set to go into effect on Dec 15.

#### Brexit

As the October 31 Brexit deadline looms, the UK and the EU bloc seem no nearer to reaching an agreement. Legislation passed by Parliament to prevent a no deal Brexit requires Prime Minister Boris Johnson to request a further extension if a new deal doesn't emerge from the EU leader's summit on October 17-18. Unless this request is made, and approved by all 27 EU members, the UK will leave without a deal on Halloween.



However, at the time of writing, the prime minister remains defiant, saying he will obey the law, but the UK will leave on October 31, “come what may.”

## The US, Mexico and Canada

There has been no further progress on the ratification of the United States-Mexico-Canada Agreement (USMCA). The agreement was signed in November 2018 and ratified by Mexico in June 2019. In the US, discussions between Democrats and US Trade Representative, Robert Lighthizer, have not yet resolved concerns over some of the text of the agreement. Democrats are insisting these issues are fixed before Congress votes on the deal. The Canadian Parliament introduced the bill in May but is insisting ratification must take place simultaneously with the United States.

## Iran and Saudi Arabia

Tensions in the middle east increased in September when drone attacks hit two major Saudi Arabian oil plants, temporarily disabling more than half of the country’s output. Although Yemen’s Houthi group claimed responsibility for the attacks, US Secretary of State Mike Pompeo has placed the blame on Iran. The attacks wiped out 5.7M barrels of production a day – 5% of the world’s oil supply, leading to the biggest jump in global prices since the 1988.

## Optimize your supply chain

With the global economy showing ever growing signs of faltering against the backdrop of trade tensions and political uncertainties, the pressures on complex supply chains are intensifying. As the costs of raw materials, energy and labour continue to rise, prudent companies are reassessing their global production and sourcing networks and aligning them with the shifting economics of global manufacturing.

## Get the latest tariffs insights from Maine Pointe

You can find previous issues of this bulletin as well as updates on the latest tariffs news, views and insights in the [tariffs quick guide](#) on our website.



## Further reading

[Timeline: Highlights of the 15-Year Airbus, Boeing Trade War](#), Reuters

[Get Ready for Brexit](#) (UK Government official website)

[Road to USMCA Ratification. Is the End in Sight?](#) Center for Strategic and International Studies

If you would like to talk about any points raised in this bulletin, contact us for a no-obligation discussion email: [info@maineptune.com](mailto:info@maineptune.com)

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