JONATHAN O'HARA DISCUSSES WHETHER OR NOT TRADE WARS ARE EASY TO WIN IN THE OTTAWA BUSINESS JOURNAL

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Category: News

From January to November 2018, a group of McMillan LLP lawyers will be writing for the Ottawa Business Journal about issues such as workplace harassment, filing a trademark application and how to ensure you get paid for construction projects. This month, international trade lawyer Jonathan O'Hara discusses market and foreign-relations implications of a potential trade war.

"[T]rade wars are good, and easy to win" says a tweet from President Trump. Recent developments between the US and China put this to the test.

Summary of recent events:

- March 23, 2018 – Citing national security, US imposes 25% duties on imported steel and 10% on imported aluminum (Canada and several other countries are exempt, at least temporarily). China produces about half the world's steel and aluminum. China says these duties violate World Trade Organisation ("WTO") rules. Other countries (like the EU) and many trade practitioners agree.
- April 2 - China responds by imposing 15 – 25% duties against US imports, such as wine, fruits and scrap metal (worth US$3B /year). This is WTO illegal, because retaliatory duties are only allowed against countries found to have violated WTO rules (which can take years).
  April 3 – Citing unfair technology licensing practices in China against US companies, US announces 25% punitive duties on 1,300 types of imported goods from China (worth US$50B/year, about 10% of US imports from China). These goods include TVs, aircraft parts, and medical devices. These duties are not yet in effect.
- April 4 - China retaliates by listing additional products that it will hit with 25% duties (also worth US$50B/year, about 40% of US exports to China). Products include a variety of agricultural products, cars and aeroplanes. Effective date is tied to US duties announced April 3.
- April 5 – US threatens duties on another US$100B worth of Chinese imports.
  Both the US and China have filed claims at the WTO over these events.

Implications:

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In addition to market and foreign-relations implications of a potential trade war, duties typically have certain direct and relatively immediate effects. They differ between consumers and manufacturers. Consider US consumers and manufacturers.

To read the full article please head to the Ottawa Business Journal.