**Date: 10/24/2013**

**To: James Reinnoldt**

**From: Misha Ward**

**Subject: Assignment 2: Global Trade Issues**

**Part 1: Although the trend towards globalization and freer markets has seen significant advances over the past century, roadblocks towards these improvements have periodically occurred which have led to bad international relations between countries, threats, and tariffs. Below are a few cases and in-depth analysis of recent major global trade issues.**

*US - Mexico:*

***Question 1:*** *Which two governments are involved in the trade dispute?*

***Answer 1:*** The two governments involved in this trade dispute are the United States (explicitly the U.S. Congress), and Mexico.

***Question 2:*** *When did the trade dispute take place (or begin)?*

***Answer 2:*** The trade dispute occurred during 2009 when the U.S. Congress, worried about safety concerns of the truckers and lack of inspections, voted to terminate the project in the 2009 omnibus appropriations bill.

***Question 3:*** *What are the products or services involved in the dispute?*

***Answer 3:*** The trade dispute affected over 90 products including, but not limited to, mineral water, fruits, produce, sunglasses, rice, beef, wheat, beans, and toilet paper.

***Question 4:*** *What action is being taken? In other words, what are the governments doing in regards to the dispute? Threatening? Complaining? Imposing tariffs?*

***Answer 4:*** Actions against the U.S. for terminating the cross borders trucking program led to the retaliation of Mexico to place 10-20% tariffs on over 90 American products. Economists calculated the cost of the tariffs at about $2.4 billion. Due to the magnitude of the tariffs, the Obama administration will launch talks between Mexican officials and U.S. Congressmen to come up with a deal with allowing Mexican truckers to cross the border and repeal the tariffs.

***Question 5:*** *What is the objective of the action (or threatened action)? In other words, what are they trying to accomplish?*

***Answer 5:*** The objective for Mexico placing tariffs on U.S. products was to perhaps force the U.S. into allowing the trucks to continue to have access to U.S. roads. Additionally, the tariffs might have been a show of force to the American people and companies. The tariff would hurt U.S. companies already in recession and could potentially led to more layoffs. Mexico might have known that with a Democratic President trying to lower unemployment, would try to stabilize the system by agreeing to terms that were favorable to Mexico.

***Question 6:*** *What was the final outcome, if it has not yet been resolved?*

***Answer 6:*** The final outcome to the trade dispute was an agreement between the U.S. and Mexico allowing approved Mexican truckers with access to U.S. roads again and the ending of the $2.4 billion dollars of tariffs. These trucks would have to meet American standards set forth by the Federal Motor Vehicle Safety Standards and Department of Transportation.

*US - Canada:*

***Question 1:*** *Which two governments are involved in the trade dispute?*

***Answer 1:*** Countries that were involved in the trade disputes were Canada and the United States.

***Question 2:*** *When did the trade dispute take place (or begin)?*

***Answer 2:*** The trade dispute has been fought for over 25 years (1981-2006) which has seen U.S. companies pressuring the U.S. government to impose import duties on Canadian lumber. This was to offset supposed “subsidies” to the Canadian companies from the Canadian government. Additionally, American companies claimed that Canadian softwood lumber importers were “dumping” their products at or below cost in the US markets.

***Question 3:*** *What are the products or services involved in the dispute?*

***Answer 3:*** The products involved in this trade dispute is lumber and (possibly) its derivatives (i.e. sawdust).

***Question 4:*** *What action is being taken? In other words, what are the governments doing in regards to the dispute? Threatening? Complaining? Imposing tariffs?*

***Answer 4:*** Originally, during the period of 1981 – 2006, it seemed that many American companies were successful at lobbying the U.S. government for imposing tariffs on Canadian softwood lumber. However, Canada successfully challenged such U.S. actions and in turn, resulted in two agreements. The first agreement allowed Canada to apply charges or volume restraints on U.S. lumber importers. The second agreement prohibited the U.S. from passing any further tariffs or restrictive trading laws on lumber from Canada. Ultimately, Canada and the United States were able to reach an agreement in 2006 which stabilized trading relationships.

***Question 5:*** *What is the objective of the action (or threatened action)? In other words, what are they trying to accomplish?*

***Answer 5:*** The U.S. lumber companies lobbying to the U.S. government were trying to hinder Canadian efforts at reaching American consumers and safeguard their markets. As a response to this, Canada went to the WTO and NAFTA to dispute such actions and restrictions. They did so in order to repeal the harmful effects the laws were having on Canadian softwood in the U.S. markets. Ultimately, Canada wanted to have such laws restricting trade on their lumber in the U.S. repealed.

***Question 6:*** *What was the final outcome, if it has not yet been resolved?*

***Answer 6:*** The final outcome to the trade disputes was the Softwood Lumber Agreement (2006) which allowed stable relationships between Canada and the United States. The treaty provides Canada with stable access to the U.S. market which has helped Canada become a world leader in the lumber industry. Additionally, due to the success of the treaty, it was extended for two years and will last until 2015.

*EU - China:*

***Question 1:*** *Which two governments are involved in the trade dispute?*

***Answer 1:*** The countries in this trade dispute are those with ties with the European Union (28 European countries) which has its capital in Brussels and China.

***Question 2:*** *When did the trade dispute take place (or begin)?*

***Answer 2:***  The trade dispute started in 2012 when in China confirmed a provisional decision and imposed anti-dumping tariffs on high performance steel from the EU, Japan, and the United States. Additionally, China initiated an investigation on EU companies and placed further tariffs on EU steel imports.

***Question 3:*** *What are the products or services involved in the dispute?*

***Answer 3:*** The main products affected by the dispute is high quality steel made in the EU.

***Question 4:*** *What action is being taken? In other words, what are the governments doing in regards to the dispute? Threatening? Complaining? Imposing tariffs?*

***Answer 4:*** Originally, the Chinese enacted on their belief that foreign countries were “dumping” high quality steel and hurting their own industries by imposing duties on high quality steel from the U.S. , Japan, and the EU. The EU, in response to these tariffs (which the EU claimed to have caused a decrease of 77.8% in exports of steel), went to the WTO to complain about the new duties and requested consultations from the WTO. The talks between the EU, Japan, and China failed in resolving the issue.

***Question 5:*** *What is the objective of the action (or threatened action)? In other words, what are they trying to accomplish?*

***Answer 5:*** The objective of the EU by going to the WTO was to get China to eliminate their tariffs on EU steel and possibly get reparations due to the loss of business the tariffs caused.

***Question 6:*** *What was the final outcome, if it has not yet been resolved?*

***Answer 6:*** Today, it seems that this trade dispute is still ongoing. However, it seems that because of this trade dispute, that relations between the EU and China are becoming more hostile and that the provisions for more duties could expand into other categories.

*US - Russia:*

***Question 1:*** *Which two governments are involved in the trade dispute?*

***Answer 1:*** The two governments that are involved in this trade dispute are the United States and the Russian Federation.

***Question 2:*** *When did the trade dispute take place (or begin)?*

***Answer 2:*** According to the U.S. Meat Export Federation, the trade dispute began in 2012 when Russia stepped up its “enforcement of its zero-tolerance policy for residues of the livestock feed additive ractopamine”. Other sources point toward retaliation from the U.S. senate’s passage of a trade bill which was against Russian imports due to pressure on U.S. markets.

***Question 3:*** *What are the products or services involved in the dispute?*

***Answer 3:*** The products that are included in the dispute are meat products which includes boneless beef, turkey meat, and pork. Furthermore, Russia is considering a total U.S. cattle ban.

***Question 4:*** *What action is being taken? In other words, what are the governments doing in regards to the dispute? Threatening? Complaining? Imposing tariffs?*

***Answer 4:*** Currently, U.S. and Russian officials are meeting with each other to discuss delays and solutions to this issue. Some believe that Michael Froman, international economic adviser to the White House, would play a leading role in finding a solution to this trade dispute. Furthermore, the Chief U.S. agricultural trade negotiated, Isi Siddiqui has traveled to Russia to meet high ranking government officials. Overall, it seems that the U.S. has no leverage in this issue due to tensions between the two countries.

***Question 5:*** *What is the objective of the action (or threatened action)? In other words, what are they trying to accomplish?*

***Answer 5:*** The objective of the original senate bill was to help the U.S. meat industry by making it more difficult for Russian meats to come to the United States. However, Russian retaliation was swift when they went through a ban on U.S. beef products. Russia might have retailed with more force due to their weakening agricultural segment of their economy according to U.S. Meat Export Federation.

***Question 6:*** *What was the final outcome, if it has not yet been resolved?*

***Answer 6:*** The final outcome is still to be determined as the ban has not been lifted but it is known that that U.S. meat producers and Russian civilians are feeling the $97 million impact of the ban.

*US - China:*

***Question 1:*** *Which two governments are involved in the trade dispute?*

***Answer 1:*** The governments involved in this trade dispute are China and the United States.

***Question 2:*** *When did the trade dispute take place (or begin)?*

***Answer 2:***  The trade dispute began in December of 2011 when China imposed antidumping and anti-subsidy tariffs on imports.

***Question 3:*** *What are the products or services involved in the dispute?*

***Answer 3:*** The products are on “sport utility vehicles and midsize and large cars from the United States”. These cars are made by American companies like GM, Chrysler, and BMW.

***Question 4:*** *What action is being taken? In other words, what are the governments doing in regards to the dispute? Threatening? Complaining? Imposing tariffs?*

***Answer 4:*** China is raising tariffs on these products as much as 22 percent. It is believe that this is more symbolic than anything else as Chinese demand for these vehicles will likely be lowered even with a 22 percent spike in prices for imported cars. The U.S. reaction was to go to the WTO and open an inquiry into the tariffs.

***Question 5:*** *What is the objective of the action (or threatened action)? In other words, what are they trying to accomplish?*

***Answer 5:*** The objective of this tariff was to send Washington D.C. a message and to increase employment by driving companies to open more factories in China. By opening factories in China, companies like GM or Chrysler would avoid such tariffs and help employ a rapidly growing Chinese labor force. It was also hypothesized that the tariffs on U.S. cars was part of a political domestic struggle in which one faction of the government “wanted to confront the United States”.

***Question 6:*** *What was the final outcome, if it has not yet been resolved?*

***Answer 6:*** The final outcome has yet to be decided and as of July 6th, 2012, the Chinese were not changing their stance on the tariffs despite public opinion to lift the tariffs in their country.

**Part 2:**

*Russia – Ukraine:*

***Question 1:*** *Which two governments are involved in the trade dispute?*

***Answer 1:*** The two governments involved in this trade dispute are Ukraine and the Russian Federation.

***Question 2:*** *When did the trade dispute take place (or begin)?*

***Answer 2:*** The trade dispute takes place during 2009 during the coldest months of the year in Ukraine.

***Question 3:*** *What are the products or services involved in the dispute?*

***Answer 3:*** The product involved in this dispute was natural gas imported from Russia to Ukraine.

***Question 4:*** *What action is being taken? In other words, what are the governments doing in regards to the dispute? Threatening? Complaining? Imposing tariffs?*

***Answer 4:*** Due to a monopoly on gas, Russia is using its position to raise prices of natural gas and force them on Ukraine and other countries that depend on it. The negotiations for the price of gas broke down when the price of what Ukraine will pay for their own natural gas became unfavorable.

***Question 5:*** *What is the objective of the action (or threatened action)? In other words, what are they trying to accomplish?*

***Answer 5:*** The objective of the trade dispute from the Russian standpoint was to gain higher natural gas prices and leveraging their power in the region. Ukrainian interests wanted lower prices for exchange to help run the gas pipes through their country.

***Question 6:*** *What was the final outcome, if it has not yet been resolved?*

***Answer 6:*** Ultimately, after three weeks, Ukraine agree to Russian demands and signed a contract to distribute natural gas and pay higher costs for their own natural gas. However, the situation has continued to be quite volatile even to this day.

*US - India:*

***Question 1:*** *Which two governments are involved in the trade dispute?*

***Answer 1:*** The two governments involved in this trade dispute is the United States and India.

***Question 2:*** *When did the trade dispute take place (or begin)?*

***Answer 2:***  The dispute took place during March 2012 as the United States challenged India on its restrictions on imports of pigs and agricultural products.

***Question 3:*** *What are the products or services involved in the dispute?*

***Answer 3:*** The products that are being affected in this trade dispute are “poultry, pigs and related products”.

***Question 4:*** *What action is being taken? In other words, what are the governments doing in regards to the dispute? Threatening? Complaining? Imposing tariffs?*

***Answer 4:*** The U.S. is taking the restrains that the Indian government placed on such products and taking their case to the WTO. India tried to file to dismiss the case but the WTO overruled it in favor of the United States. Again Michael Froman, U.S. Trade Representative, will be working on a solution towards this trade dispute. The WTO hopes that a solution will be able to come out of continued talks later this year.

***Question 5:*** *What is the objective of the action (or threatened action)? In other words, what are they trying to accomplish?*

***Answer 5:*** The Indian government said it checks the U.S. imports due to fears over bird flu and contamination. However the U.S. government feels that these checks are “a ‘disguised’ illegal restriction on foreign trade and not backed by science”. Due to this, the U.S. filed a case against India. The U.S. was trying to remove these “checks” or receive reparations for the harm of such checks.

***Question 6:*** *What was the final outcome, if it has not yet been resolved?*

***Answer 6:*** The final outcome has yet to be resolved but a ruling is planned for “likely later this year” in December. Despite there being no agreement yet, this has increased tensions between India and United States.

**Part 3:**

When completing this assignment, I found multiple aspects of trade disputes interesting. One of the most interesting aspect was how easy they were to escalate and make the situation worse. Although many of the countries above want to protect their interests, it’s ironic how their handling of the situation makes it even harder to go back to normal trading relationships. The perfect example of this would be with America and Mexico. Although they were able to reconcile, the minimal act of not letting a small group of truckers to come into the U.S. set off a firestorm that could have really impacted the economy. Another aspect that is very interesting in trade disputes is how other countries become involved. For example, with the EU and China fighting over steel, Japan was pulled in and was even at the bargaining table when presenting the case against China at the WTO.

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