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INSIGHT

Escalating Tariffs: Timeline and Potential Impact

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Concerns over the U.S. trade deficit and trading partner trade practices have been a focus of the Trump Administration. Citing these concerns, the President has imposed tariffs under three U.S. laws that allow the Administration to impose trade restrictions based on certain criteria unilaterally: (1) Section 201 (**Table 1**) on U.S. imports of washing machines and solar products; (2) Section 232 (**Table 2**) on U.S. imports of steel and aluminum, and potentially autos and uranium, and (3) Section 301 (**Table 3**) on U.S. imports from China. In 2017, U.S. imports of goods subject to the additional tariffs, which range from 10% to 50%, totaled $80 billion (**Table 4**), a figure that would increase should additional proposed tariffs go into effect (**Figure 1**). While the tariffs may benefit some import-competing U.S. producers, they are also likely to increase costs for downstream users of imported products and some consumer prices. The Administration is likely using the tariffs in part to pressure affected countries into broader trade negotiations, such as the recently announced U.S.-EU trade liberalization talks, but it is unclear what specific outcomes the Administration is seeking.

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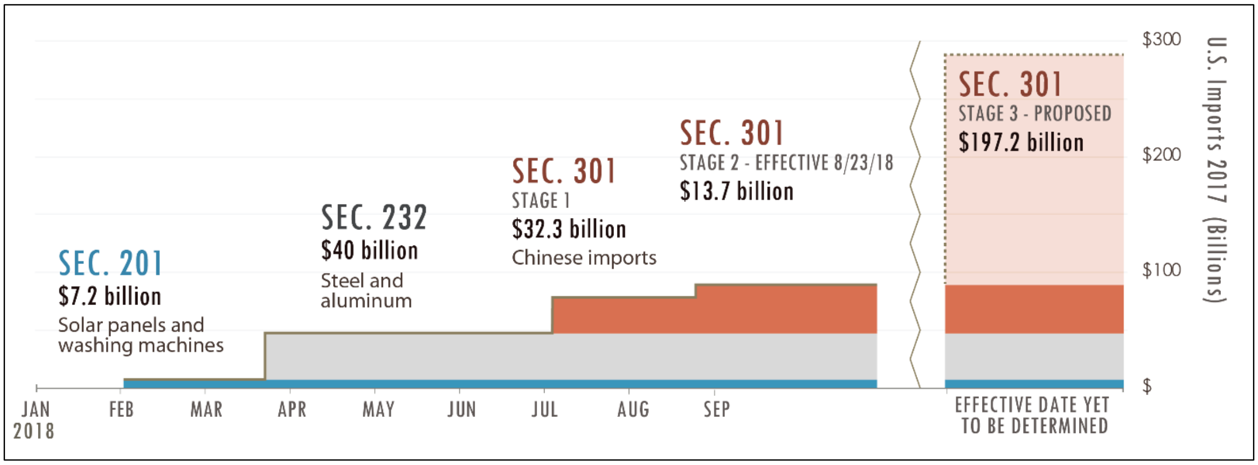
Figure 1. Trump Administration Tariffs and Affected Imports



Source: CRS calculations with data from U.S. Census Bureau sourced through Global Trade Atlas.

Notes: Based on 2017 import values. Increased U.S. import tariffs may reduce demand for imports lowering annual import values.

Congress delegated aspects of its constitutional authority to regulate foreign commerce to the President through these trade laws. These statutory authorities allow presidential action, based on agency investigations and other criteria, to impose import restrictions to address specific concerns (see text box). They have been used infrequently in the past two decades, in part due to the 1995 creation of the World Trade Organization (WTO) and its enforceable dispute settlement system. Prior to this Administration, U.S. import restrictions were last imposed under these trade laws in 1982 for Section 232, 2001 for Section 301, and 2002 for Section 201.

U.S. Laws Related To Trump Administration Trade 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 take action to adjust imports of products the Department of Commerce finds to be *threatening 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*.

Increasing U.S. tariffs or imposing other import restrictions through these laws potentially opens the United States to complaints that it is violating its WTO and free trade agreement (FTA) commitments. Several U.S. trading partners, including Canada, China, Mexico, and the European Union, have initiated dispute settlement proceedings and imposed retaliatory tariffs in response. The retaliatory tariffs in effect cover almost $60 billion of U.S. annual exports, based on 2017 export data (**Table 5**).

Retaliation may be amplifying the potential negative effects of the U.S. tariff measures. Economically, retaliatory tariffs broaden the scope of U.S. industries potentially harmed, targeting those reliant on export markets and sensitive to price fluctuations, such as agricultural commodities. Some U.S. manufacturers have announced plans to shift production to other countries in order to avoid the tariffs on U.S. exports. Lost market access resulting from the retaliatory tariffs may compound concerns raised by many U.S. exporters that the United States increasingly faces higher tariffs than some competitors in foreign markets as other countries proceed with trade liberalization agreements eliminating tariffs, such as the recently signed EU-Japan FTA. Negative effects could grow if a tit-for-tat process of retaliation continues and the scale of trade affected increases. For example, in response to China's retaliation against the first stage of U.S. Section 301 tariffs, USTR has proposed counter-retaliation tariffs covering an additional $200 billion of U.S. imports, doubling the current tariff coverage and potentially affecting approximately half of U.S. annual imports from China. China has responded by proposing an additional list of imports potentially subject to retaliatory tariffs, accounting for approximately $53 billion of U.S. exports in 2017.

Additional actions by the Administration could result in considerably larger potential trade effects. On March 23, 2018, the Commerce Department initiated a new Section 232 investigation on U.S. auto and auto parts imports. Motor vehicles and parts accounted for $361 billion of U.S. imports in 2017. The EU, which accounts for more than $50 billion of U.S. motor vehicle and parts imports, has reportedly threatened comparable retaliatory measures. The globally integrated nature of the industry could complicate the impact of the tariffs. For example, affiliates of foreign motor vehicle firms operating in the United States exported more than $49 billion (nearly $70 billion including wholesale trade) in 2015. Although the auto investigation remains ongoing, the Administration has stated it will not impose tariffs while the recently announced U.S.-EU trade talks are ongoing. On July 18, the Administration began a fourth Section 232 investigation on U.S. uranium imports.

Many Members of Congress and U.S. businesses, interest groups, and trade partners, including major allies, have weighed in on the President's actions. While some U.S. stakeholders support the President's use of unilateral trade actions, many have raised concerns, including the chairs of the Ways and Means and Senate Finance Committees, about potential negative impacts. In July 2017, Congress passed a nonbinding resolution directing appropriations bill conferees to include language giving Congress a role in Section 232 determinations, and several Members have introduced legislation that would constrain the President's authority (e.g., S. 3013 and S. 3266). As it debates the Administration's import restrictions, Congress may consider the following:

- **Delegation of Authority**. Among these statutes, only Section 201 requires an affirmative finding by an independent agency (the ITC) before the President may restrict imports. Section 232 and Section 301 investigations are undertaken by the Administration, giving the President broad discretion in their use. Are additional congressional checks on such discretion necessary?
- **Economic Implications and Escalation**. The Administration's tariffs imposed to date cover approximately 3% of annual U.S. goods and services imports; pending investigations and threatened further counter-retaliations could potentially increase this to nearly one-third. While most economists estimate that the current level of tariffs is unlikely to have major effects on the overall U.S. economy, these effects may be substantial for individual firms reliant either on imports subject to the U.S. tariffs or exports facing retaliatory measures. The potential drag on economic growth could also be significant if tit-for-tat action escalates. What are the Administration's objectives from the tariff increases and do potential benefits justify the potential costs?
- **International Trading System**. While the Administration argues that the imposition of U.S. import restrictions is within its rights under international trade agreement obligations, U.S. trade partners disagree and have initiated dispute proceedings, and begun retaliating. The United States has initiated its own dispute proceedings arguing the retaliation violates trade agreement obligations. What are the risks to the international trading system of continued unilateral action?

The tables below provide a timeline of key events related to each U.S. trade action, as well as the range of potential trade volumes affected by the U.S. tariffs and U.S. trading partners' retaliations. In addition to tariffs, the President has imposed quotas, or quantitative limits on U.S. imports of certain goods from specified countries, as well as tariff-rate quotas (TRQs), for which one tariff applies up to a specific quantity of imports and a higher tariff applies above that threshold.

Timeline and Status of U.S. Trade Actions

Table 1. Section 201 Global Safeguard Investigations

Key Dates	• 5/17/2017—U.S. industry petition initiates ITC injury investigation on solar cells/modules. • 6/5/2017—U.S. industry petition initiates ITC injury investigation on large residential washers. • 9/22/2017—ITC makes affirmative solar cells/modules injury determination. • 10/5/2017—ITC makes affirmative large residential washers injury determination. • 11/13/2017—ITC submits report and recommended action on solar cells/modules to President. • 12/4/2017—ITC submits report and recommended action on large residential washers to President. • 1/23/2018—President proclaims actions on solar cells/modules and large residential washers, effective February 7, 2018.
U.S. Import Restriction	**Solar Cells**: 4-year TRQ with 30% above quota tariff, descending 5% annually. **Solar Modules**: 4-year 30% tariff, descending 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.
Countries Affected	Canada excluded from the duties on washers. Certain developing countries 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.
Current Status	**Effective February 7, 2018.**

Table 2. Section 232 Steel and Aluminum Investigations

Key Dates	• 4/2017—Commerce initiates investigations on effects on national security of U.S. steel (4/19) and aluminum (4/26) imports. President signs memoranda prioritizing steel and aluminum investigations. • 1/2018—Commerce submits steel (1/11) and aluminum (1/17) findings and recommendations to President. • 3/8/2018—President proclaims steel and aluminum duties, effective March 23, 2018, temporarily exempting Canada and Mexico. • 3/22/2018—President temporarily exempts Argentina, Australia, Brazil, South Korea and the European Union (EU) in addition to Canada and Mexico from steel and aluminum duties. • 4/30/2018—President permanently exempts South Korea from steel duties, based on a quota arrangement. South Korea's exemption from aluminum duties expires. • 5/31/2018—President permanently exempts Argentina, Australia, and Brazil from steel duties, and Argentina and Australia from aluminum duties, based on quota arrangements. Brazil's exemption from aluminum duties, and Canada, Mexico, and EU's exemptions from steel and aluminum duties expire. • 8/10/2018—President doubles the tariff rates to 50% on steel imports from Turkey, effective August 13, 2018.
U.S. Import Restriction	**Aluminum**: 10% tariffs on specified list of aluminum imports effective indefinitely. **Steel**: 25% tariffs on specified list of steel imports effective indefinitely; 50% tariffs on steel imports from Turkey.

Countries Affected	**Aluminum**: Australia and Argentina* permanently exempted. **Steel**: Australia, Argentina*, Brazil*, and South Korea* permanently exempted. All other countries included. (*) Quantitative import restrictions imposed in place of tariffs.
Current Status	**Effective March 23, 2018.** (Retaliation also in effect, see **Table 5**)

Table 3. Section 301 China Trade Barriers Investigation

Key Dates	• 8/14/2017—President directs USTR to determine whether it should investigate China's laws, policies, practices, or actions affecting U.S. intellectual property and forced technology transfers. • 8/18/2017—USTR announces it will proceed with Section 301 case against China. • 3/22/2018—USTR releases Section 301 report and finds that China's policies are "unreasonable or discriminatory, and burden or restrict U.S. commerce." President signs memorandum proposing to: (1) implement tariffs on certain Chinese imports; (2) initiate a WTO dispute settlement case against China's discriminatory technology licensing; and (3) propose new investment restrictions on Chinese efforts to acquire sensitive U.S. technology. • 4/3/2018—USTR releases proposed list of 1,300 tariff lines to be subject to 25% import tariff. • 4/5/2018—President directs USTR to consider additional list of Chinese imports to be subject to 25% tariff if China retaliates. • 5/29/2018—President Trump announces U.S. plan to proceed with Section 301 actions, including 25% tariff on $50 billion of U.S. imports from China. • 6/15/2018—USTR releases two-stage plan to impose 25% tariffs on approximately $50 billion of Chinese imports (includes final stage 1 product list). • 6/18/2018—President directs USTR to propose a list of imports from China valued at $200 billion (stage 3) that would be subject to an additional 10% tariff if China retaliates against Section 301 tariffs, and an additional $200 billion if such retaliation occurs again. • 7/10/2018—USTR releases list of proposed imports (stage 3) subject to additional 10% tariff accounting for approximately $200 billion of U.S. imports in 2017. • 8/1/2018—President directs USTR to consider increasing the proposed stage 3 tariffs from 10% to 25% on $200 billion of U.S. imports from China. • 8/7/2018—USTR publishes final list of stage 2 tariffs.
U.S. Import Restriction	**Stage 1—**25% import tariff on 818 U.S. imports (final, approx. $34 billion) **Stage 2—**25% import tariff on 279 U.S. imports (final, approx. $16 billion). **Stage 3—**10% or 25% import tariff on 6,031 U.S. imports (proposed, approx. $200 billion).
Countries Affected	China
Current Status	**Stage 1—Effective July 6, 2018.** **Stage 2—Effective August 23, 2018.** **Stage 3—Proposed, hearing 8/20-8/27 to determine final list and rate.** (Retaliation also in effect, see **Table 5**)

Potential Trade Affected

Table 4. Proposed and Existing U.S. Import Restrictions

U.S. Trade Action		U.S. Imports (millions, 2017)	Additional Tariff	Potential Tariff Revenue (millions, 2017)	Effective Date
Section 201	Solar Cells/ Modules	$5,196	TRQ (0%, 30%)/ 30%	$1,559	February 7, 2018
	Large Washers/ Washer Parts	$1,927	TRQ (20%, 50%)/ TRQ (0%, 50%)	$964	February 7, 2018
	Total	**$7,123**		**$2,523**	
Section 232	Aluminum	$16,643	10%	$1,664	March 23, 2018
	Steel	$23,369	25%[a]	$6,140	March 23, 2018
	Total	**$40,012**		**$7,805**	
Section 301	China - Stage 1	$32,262	25%	$8,066	July 6, 2018
	China - Stage 2 (revised)	$13,680	25%	$3,420	August 23, 2018
	China - Stage 3	$197,214	10% or 25%	$19,721-$49,304	TBD
	Total	**$243,156**		**$31,207-$60,789**	
Total in Effect		**$79,397**		**$18,393**	
Total Proposed or in Effect		**$290,291**		**$41,534-$71,117**	

Source: Calculations by CRS based on trade data from U.S. Census Bureau and tariff data from Administration notifications.

Notes: Potential tariff revenue estimated using 2017 import values. This does not account for potential fluctuations in demand resulting from the tariffs or other variables. It is useful for comparing the magnitude of the various tariff actions but should not be used to estimate actual tariff collection. TRQ tariff revenue estimated assuming all imports are subject to over quota tariff.

a. U.S. steel tariff is 50% on imports from Turkey.

Table 5. Proposed and Existing Retaliatory Actions

Retaliatory Trade Action		U.S. Exports (millions, 2017)	Additional Tariff	Potential Tariff Revenue (millions, 2017)	Effective Date
Section 201	South Korea (Solar and Washers)	$1,377[a]	TBD	$474[a]	2021
	China (Solar and Washers)	$654[a]	TBD	$220[a]	2021
	Japan (Solar)	$83[a]	TBD	$25[a]	2021
	Total	**$2,114**		**$719**	
Section 232	Canada	$12,748	10-25%	$1,920	July 1, 2018
	Mexico	$3,691	7-25%	$730	Partial-June 5, Full-July 5, 2018

Retaliatory Trade Action		U.S. Exports (millions, 2017)	Additional Tariff	Potential Tariff Revenue (millions, 2017)	Effective Date
	European Union (EU)—Stage 1	$3,204	10-25%	$781	June 25, 2018
	EU—Stage 2	$4,239	10-50%	$931	2021
	China	$2,969	15-25%	$645	April 2, 2018
	Japan	$1,911[a]	TBD	$440[a]	TBD
	Turkey	$1,788	4-140%[b]	$935	June 21, 2018[b]
	India	$1,396	10-50%	$240	Sept. 18, 2018
	Russia	$347	25-40%	$105	August 6, 2018[c]
	Russia—Stage 2	TBD	TBD	TBD	2021
	Total	**$32,292**		**$6,727**	
Section 301	China—Stage 1	$33,834	25%	$8,459	July 6, 2018
	China—Stage 2	$14,108	25%	$3,527	August 23, 2018
	China—Stage 3	$53,296	5%-25%	$6,882	
	Total	**$101,238**		**$18,868**	
Total in Effect		**$58,580**		**$13,575**	
Total Proposed or in Effect		**$135,644**		**$26,314**	

Source: CRS calculations based on import data of U.S. trade partner countries sourced from Global Trade Atlas and tariff details from WTO or government notifications.

Notes: Potential tariff revenue estimated using 2017 import values in dollars (foreign trade data converted to U.S. dollars based on monthly average exchange rates during the relevant time periods). This does not account for potential fluctuations in demand resulting from the tariffs or other variables. It is useful for comparing the magnitude of the various tariff actions but should not be used to estimate actual tariff collection.

a. Retaliation announcements did not include a product list or specific tariff values. Retaliatory export and tariff value estimated based on retaliation commensurate with U.S. tariff actions.

b. Turkey's retaliatory tariffs have been in effect since June 2018. Turkey increased the tariff rates in August 2018 in response to the Trump Administration's decision to increase the U.S. steel tariff on Turkish imports to 50%.

c. Russia published its list of retaliatory tariff rates and products on July 6, 2018. The tariffs appear to go into effect within 30 days of publication.