

# THE IMPACT OF THE US-CHINA TRADE WAR

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Connexion

1700 Leider Lane, Suite 100  
Buffalo Grove IL 60089



## How This Trade War Began

Following President Trump's campaign promise "to fix China's "longtime abuse of the broken international system and unfair practices", China and the United States have been engaged in a trade war involving the mutual implementation of tariffs since January 2018. Later in April 2018, The United States filed a request for consultation to the World Trade Organization in regard to concerns that China was violating intellectual property rights. Under the Trade Act of 1974, [a US president can unilaterally impose fines or other penalties](#) on a trading partner if it is deemed to be unfairly harming U.S. business interests, especially if it violated international trade agreements.

In this petition, the Trump Administration claimed that Chinese laws undermine intellectual property rights by forcing foreign companies to engage in joint ventures with Chinese companies, which then gives the Chinese companies access and permission to use, copy or steal their technologies. China however, disagreed and argued they have in fact strengthened IPR protections. And so began the tit-for-tat war of words and the ensuing trade war with China.

## The Escalation of Rhetoric and Tariffs

In July 2018, the Trump Administration followed through on months of threats to [impose sweeping tariffs](#) on China for its alleged unfair trade practices. So far, these tariffs amounted to \$250 billion worth of Chinese products, and has threatened tariffs on \$267 billion more. China, in retaliatory fashion set tariffs on \$110 billion worth of US goods, and has threatened "qualitative measures" that would impact US businesses operating in China. This escalation has been the backdrop for negotiations between the US and China.

## The Impact of Tariffs In Our Industry

Aside from where you stand on the political spectrum of tariffs, the facts are that these tariffs, and their retaliatory responses have had an adverse effect across many industries, impacting goods from washing machines and automobiles to soup cans. And no less so, in the electrical and building industries impacting the prices of rebar, electrical and plumbing conduit, boxes, fittings, [lamps, lighting fixtures](#), and countless other building products. Since the beginning of these "tariff or trade wars", the electrical distribution industry has experienced a countless number of manufacturer price increases. *While this summary's focus is on our largest trading partner, China, it's worth noting we're also experiencing the repercussions of ongoing trade disputes with Canada, Mexico, South Korea, and countries in the European Union - with specific tariffs imposed on steel and aluminum imports.*

## Where We're At Today

In April 2019, it was reported that negotiations have broken down between the Trump Administration and Beijing. The rhetoric that came out of Washington was [a threat to impose higher tariffs](#) on \$200 billion worth of Chinese goods on Friday morning, May 10th. These new tariffs in fact, went into effect at 12:01 a.m. Washington time Friday, May 10th - raising from 10% to 25% the duties on more than 5,700 different product categories from China. The top 3 categories impacted most by the new tariffs are: Telecommunications equipment, Computer circuit boards, and Processing units - *virtually, the brains or guts of any controlled electrical or lighting device.*

Over the last few months, some manufacturers have retracted previously announced tariff price increases, only to recently re-implement them. Because of the magnitude of these latest tariffs and the categories most affected, we expect wide spread reimplementations of formally retracted as well as new price increases coming from most all manufacturers in our industry.

## Available Resources

The impact of any price increase cannot be minimized within an industry already experiencing compressed margins and escalating operating costs. Connexion is committed to staying in front of the tariff issue, providing updates in order to allow our clients an opportunity to plan accordingly. We invite you to visit our [Price Increase Notification](#) page, where we provide updates on tariff news and post price increase notifications from our manufacturers.

*In this turbulent climate, manufacturers are unlikely to provide traditional price protection agreements. We can however assist in securing pre-increase buy opportunities and other risk mitigation solutions tailored to our clients' needs.*