

'This newsletter is translated from the Japanese edition distributed on March 23rd.  
Center for Risk Management Strategy at Deloitte Touche Tohmatsu LLC.

# Global Risk Watch Newsletter

## The Creeping Shadow of Global Discord, etc.

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30 March 2018

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### 3. Highlight of Indicator for this Month (Trends & Topics)

#### **# The State of Exports to the US (Toshikazu Kumagai, Manager, Center for Risk Management Strategy at Deloitte Touche Tohmatsu LLC)**

The US import restrictions on steel and aluminium have become a topic of conversation. The logic of the decision rests with a Commerce Department report that states that an increase in steel and aluminium imports has weakened the domestic industry in a way that affects the provision of defence equipment and therefore threatens national security. Others point out that the Trump administration has regularly complained about the US trade deficit, framing it as a loss for the country. Should the administration right this imbalance, it could bolster support for the current government going into the mid-term elections. While China, and its large trade deficit, is the main target of these import restrictions, in general they apply to all countries and exempt nations will be decided individually.

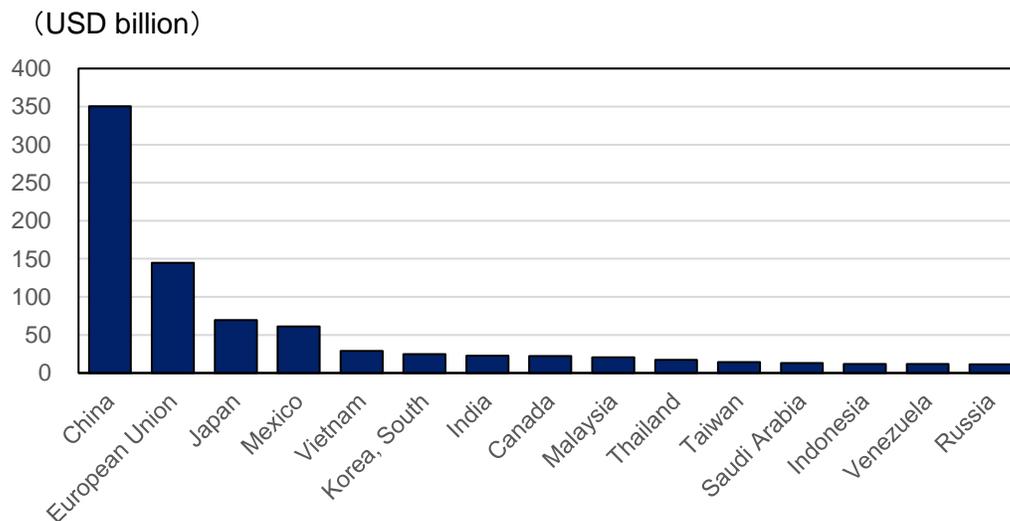
So, what countries have what kind trade balance with what goods with the US? We will look at Census Bureau data on trade balances and goods imports to answer this question.

Figure 1 shows the countries, in order, with the largest trade surplus with the US. Looking at the 5 year averages between 2013 to 2017 numbers, it is obvious that China has the largest surplus with the US. Looking at the average of the last five years, we can see that both the EU and Japan surpluses are also quite large. NAFTA countries also register a surplus as well as Asian countries like Vietnam, South Korea and India.

Figure 2 shows what each country exported to the US in a stacked bar graph, once again we are using the 5 year averages. As compared to steel and aluminium, the target of the proposed restrictions, the highest valued exports to the US were actually electronics and vehicles (excluding railways). Nuclear reactors, boilers etc. also make up a large share of exports to the US. And of course, China and Vietnam export large quantities of apparel to the US.

The question then becomes, looking at the breakdown of these items, whether the US can actually restrict the import of steel and iron on the basis of national defence. It may become that the administration considers other laws to target other items, though they will need to balance this against the possible backlash for consumers. The Trump administration really only has two years left in office. The internal disarray is well known and may only grow worse, foreign relations with North Korea or Iran may be at a stalemate. It is thought very likely that the administration may indeed target other trade deficits to improve their support. This tendency of the Trump administration should be watched into the future.

\*Figure 1: Trade Balance with the US by Country

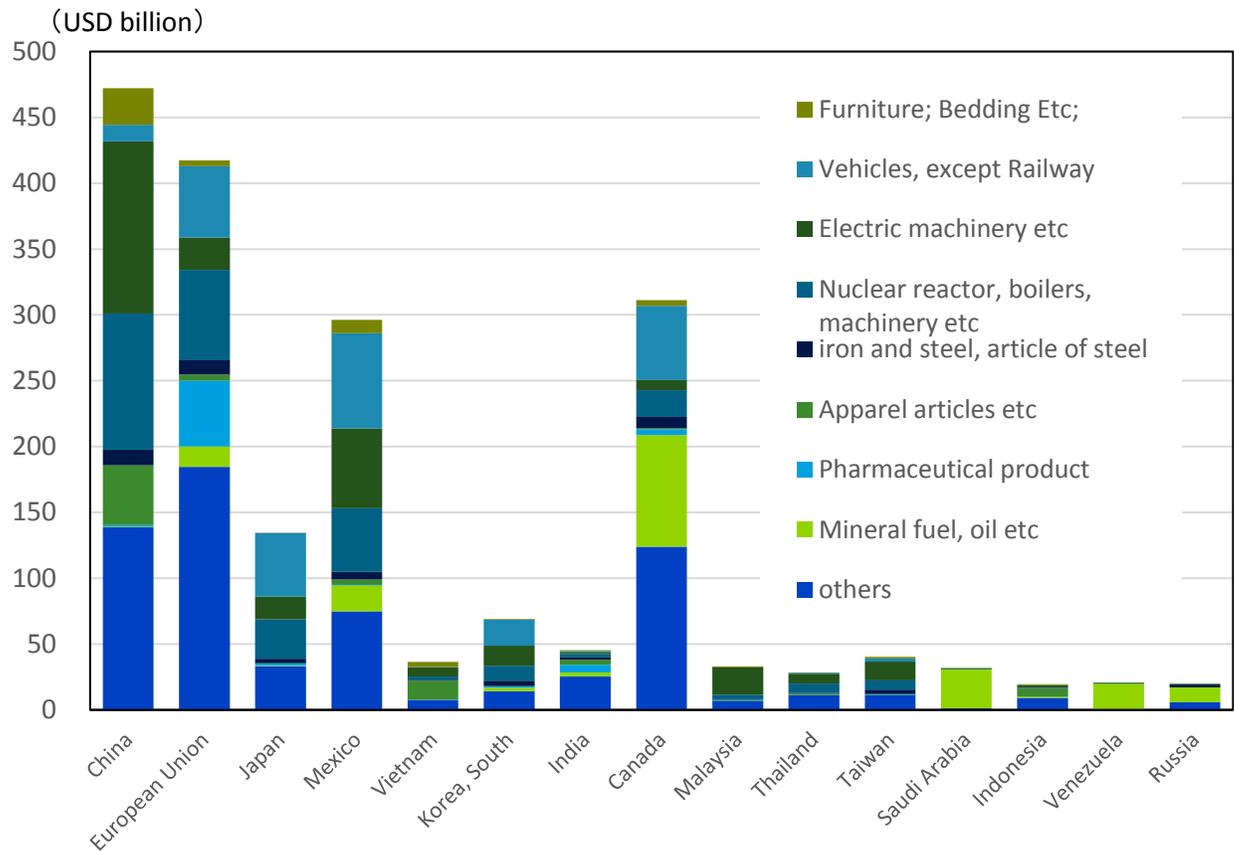


Source: Census Bureau, U.S. Department of Commerce, Deloitte Touche Tohmatsu LLC analysis

Note: Data used is the 2013-2017 average

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\*Figure 2: Exports to the US by Commodity



Source: Census Bureau, U.S. Department of Commerce, Deloitte Touche Tohmatsu LLC analysis

Note: Data used is the 2013-2017 average

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