



May 9, 2019

China - Déjà vu

We are watching all that is happening in US/China trade talks and its impact on the market and your investments. Déjà vu: Round 4 has begun and most people can't remember rounds 1-3 because they became non-issues. In January of last year, the USA threatened to hike tariffs; again, in September of 2018, tariffs were announced to be imposed on China. Finally, in December of 2018, President Trump lifted the January 1 tariff increase date. This year brought the March 31 deadline for trade talks. That deadline was lifted because China agreed to numerous terms related to trade.

Now China is reneging on these most recent agreements; and we are back to a deadline for tariffs set for Friday. Tariffs have been on the horizon since 2017 and it hasn't had much impact on our economy. Regardless of other country affiliations (EU or Canada/Mexico) the USA has the determination and stamina to deal with a China who misbehaves.

The [U.S. trade deficit](#) with [China](#) was \$419 billion in 2018. This trade deficit exists because U.S. exports to China were only \$120 billion while imports from China were \$540 billion. Tariffs make for good television and even better scare tactics – however, their actual impact was minimal in 2017, 2018 and will likely be minimal in 2019. You may not like the tariff tactic; and may think that if we ask nicely, write Op-Eds, draft letters or file claims with the WTO we will get better results. We have done all of those things. The goal isn't higher tariffs, the goal is NO TARRIFS, by all countries. Consider these statistics from the WTO on average tariffs by country:

- U.S. = 3.5%
- Japan = 4.0%
- Canada = 4.5%
- EU = 5.2%
- Mexico = 7.0%
- China = 9.9%
- South Korea = 13.9%

Criticisms and objections by foreign leaders over threats of U.S. tariffs is political grandstanding. It is time for these other countries to reduce tariffs.

If you believe in free trade, then you must deal with China's commitment to "Made in China 2025." China's policy for "Made in China 2025" relies on discriminatory treatment of foreign investment, forced technology transfers, intellectual property theft, and cyber espionage... leaving President Trump to levy tariffs on Chinese goods and block several Chinese-backed acquisitions of technology firms.

Dealing with issues that have taken years to create is difficult yet necessary. "You gotta break it to fix it." While this can make being invested in the market seem scary, it is still the best alternative with the greatest opportunity. We are paying attention. Your goals and plans remain my priority for managing your investments.

Call me if you have questions or concerns.

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