

# THE SOURCE

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## The World is on the Brink of a Trade War

US trade moves could spark Chinese retaliation

by Charles Riley CNN Money @CRrileyCNN March 23, 2018

The United States and China have fired the dramatic opening shots of what could become a trade war. But it's what happens next that matters most. President Donald Trump announced on Thursday that he would impose tariffs on \$50 billion worth of Chinese exports to the United States. Beijing quickly outlined new import taxes of its own on US products worth \$3 billion. The increasingly bellicose rhetoric suggests that further escalation is possible: Trump described his actions targeting China as "the first of many," while Beijing said "it is impolite not to reciprocate" and promised a "fight to the end."

Analysts are worried. China's response Friday was framed as retaliation for steel and aluminum tariffs Trump unveiled earlier in March, not his Thursday broadside. That means a second strike could be in the works. If Trump unveils yet more punitive measures, Beijing is almost certain to respond. That could be followed by another round, and another. That pattern of retaliation is what economists call a trade war. "The main source of lingering concern is uncertainty over what happens next," said Mark Williams, chief Asia economist at Capital Economics.

### What Trump wants

It's difficult to predict how the spat will evolve, but there may be clues in what's happened so far. Trump said repeatedly during his campaign that he would take tough stance on trade with China. He said the United States had been ripped off, and he would take action to reduce the US trade deficit with China. In recent weeks, he has demanded that China cut the deficit by \$100 billion. In addition to steel and aluminum, the Trump administration has targeted imported washing machines and solar panels with taxes that would affect China. It has not said which products will be hit by the latest round of tariffs. Trump has framed these and other actions as part of a negotiation. Several US allies, for example, were given an 11th hour temporary reprieve from the steel and aluminum tariffs. "When it comes to China, the US is looking for a large deal that addresses the trade balance and liberalizes China's market," said Scott Kennedy, a China expert at the Center for Strategic & International Studies.

Williams said that Beijing is unlikely to change its trade practices, which have given its companies a leg up. The big question: Are the actions Trump has already taken enough to satisfy the president and his supporters? "The key uncertainty now is whether President Trump sees [the tariffs] as an end in themselves, or whether they are followed by a further escalation when, as seems likely, they fail to narrow the trade imbalance significantly," said Williams.

### The response from China

It takes two countries to have a trade war. So analysts are watching very closely to see how Beijing responds in the coming weeks and months. China has plenty of options to hit back at the United States. It is one of the biggest buyers of US crops, including soybeans or sorghum. China could put a tax on those or buy more soy from places like Brazil and Argentina. Beijing could also slap tariffs on American aircraft, doing great damage to US companies such as Boeing (BA). Or it could simply direct its state-backed airlines to buy more from Airbus in future. China's retaliation has, so far, been limited. It's possible that more measures will be announced when the scale and impact of the latest round of tariffs from Washington become clear. Still, China knows it has a lot to lose if things get out of hand. "[Beijing] may want to appear to be standing up to foreign bullying in the coming weeks. But at this stage, they can

Continued on page 2

**TRADE WAR**

Continued from page 1

afford to be fairly relaxed and their response is likely to be limited," said Williams. "China's leaders have no desire to see the global trading system further destabilized."

**How to avoid a trade war**

Cooler heads may prevail if Washington and Beijing look at the bigger picture. The actions announced so far will have relatively little impact on the world's two largest economies. Capital Economics estimates, for example, that the new US tariffs will cause China's GDP to decline by just 0.1%. A full-blown trade war would have much more profound economic implications for the United States and China. It would also drag down global trade and put vulnerable economies under pressure. US allies are calling on the Trump administration to change its tactics, and address trade grievances through discussion and in accordance with global trade rules. "Preserving the global rules-based system for trade is what we should all be working towards," EU trade commissioner Cecilia Malmström tweeted Friday. Roberto Azevêdo, director general of the World Trade Organization, urged countries to resolve their trade disputes by using the mechanisms of the WTO. "Actions taken outside these collective processes greatly increase the risk of escalation in a confrontation that will have no winners, and which could quickly lead to a less stable trading system," he said on Friday.

**Cincinnati CBP Agriculture Finds Two Tons of Prohibited Fruit** By: AJOT 3/7/2018

Since January 1, U.S. Customs and Border Protection (CBP) agriculture specialists in Cincinnati have intercepted more than 4,850 pounds of prohibited mangoes, strawberry guava, and grugru fruit coming from Mexico. The fresh fruit came in 97 separate packages from a single shipper in Morelos and were destined to multiple locations throughout the United States. The shipments were manifested as crafts, decorations, dried fruits, and flours.



**Seized fruit by CBP in Cincinnati**

"Our agriculture specialists work to protect our U.S. crops and food supply each and every day," said CBP Cincinnati Supervisory Agriculture Specialist Barbara Hassan. "This is one example of how their dedication makes a difference to security of the American agriculture trade."

Fresh produce is regulated to prevent the accidental introduction of foreign diseases and pests such as the mango seed weevil, guava weevils, and fruit flies. Fruit flies target more than 400 host plants, and their presence in the U.S. would cause major economic losses, costs associated with implementing control measures, and extensive damage to many American agricultural crops.

**CBP Seeks to Bolster Trade Facilitation Posture Through E-Commerce Strategy**

By Joanna Crews 3/15/2018 DHS, Latest News [www.executivegov.com](http://www.executivegov.com)

The Customs and Border Protection has implemented an e-commerce strategy to bolster its trade facilitation posture and protect domestic businesses and consumers from threats related to electronic trade. CBP said March 6 it seeks to address U.S. security and economic challenges from the growing number of imported small packages through the agency's e-commerce framework.

The agency intends to establish an "agile" and "dynamic" workforce that use technology to identify high-risk shipments, collect data from CBP targeting systems and create enforcement partnerships. CBP added that companies and foreign governments will serve as key stakeholders for its efforts to assess the e-commerce environment and raise the public's awareness of customs regulations. The agency created the strategy to comply with Presidential Executive Order 13785, titled "Establishing Enhanced Collection and Enforcement of Antidumping and Countervailing Duties and Violations of Trade and Customs Laws."

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## TRIVIA QUESTIONS



- 1) Which Incoterm is only meant for use with OCEAN transportation?  
A. FCA (Free carrier)    B. DAT (Delivered At Terminal)    C. FOB (Free On Board)    D. DDP (Destination, Duty Paid)
- 2) What is the real color of an airplane's "BLACK BOX"?  
A. Black    B. Green    C. Yellow    D. Orange
- 3) The rise of the Railroad established \_\_\_\_\_?  
A. Standardized Time Zones    B. Taxi Service    C. Porters at railroad terminals    D. Smog
- 4) Cars didn't always come with steering wheels. What did drivers rely on before the steering wheel?  
A. Joy Stick    B. Paddle    C. Lever    D. Button
- 5) The largest passenger airplane is the ?  
A. Boeing 747-8    B. Boeing 787 Dreamliner    C. Airbus A460    D. Airbus A380
- 6) How fast do commercial airplanes fly?  
A. 250 MPH    B. 500 MPH    C. 375 MPH    D. 750 MPH

Answers Later In The Newsletter

### FUEL REPORT

U.S. On-Highway Diesel Fuel Prices\* (dollars per gallon) <http://www.eia.gov/petroleum/gasdiesel/>

U.S. National Average	3/5/18	3/12/18	3/19/18	Change from	
	\$2.992	\$2.976	\$2.972	week ago	year ago
				↓ - 0.004	↑ 0.433

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### Fuel prices continue downward trend, drop to lowest point of 2018

By Matt Cole @MattColeRR 3/12/2018

Another drop-in diesel fuel prices during the week ending March 12 has prices at their lowest point since the beginning of the year, according to the Department of Energy's latest report. The U.S.' average price for a gallon of on-highway diesel is now \$2.976, which is 1.6 cents lower than a week ago. It is also the lowest price since the week ending Jan. 1, when prices were \$2.973 per gallon across the country. Prices fell in all regions across the country over the last week, except for California, where prices held steady. The most significant decrease was seen in the Lower Atlantic region, where prices dropped 2.3 cents. The nation's cheapest fuel can be found in the Gulf Coast region at \$2.782 per gallon, followed by the Lower Atlantic region at \$2.871 per gallon. The most expensive fuel is in California at \$3.652 per gallon, followed by the Central Atlantic region at \$3.221 per gallon.

### U.S. Will Be the World's Largest Oil Producer by 2023, Says IEA

By Sarah Kent and Timothy Puko,

WSJ, 3/5/2018

Influence on global oil markets is also expected to rise, with U.S. oil exports more than doubling

The world's oil supply chains increasingly will run through the U.S. The International Energy Agency says the country will overtake Russia to become the world's largest oil producer by 2023, the WSJ's Sarah Kent and Timothy Puko report, in a stark sign of how a U.S. oil and gas boom is overhauling global energy markets. The industry monitor says the growth in the U.S., which is expected to produce a record of 12.1 million barrels a day in five years, is part of a broader movement away from OPEC countries. The pace is getting the U.S. closer to producing enough crude to meet domestic demand, and it's bringing greater influence in global markets. U.S. oil exports are forecast to more than double by 2023, putting more pressure to expand exporting capacity, including port terminals and shipping. Tanker capacity globally has been on the upswing, and a recent spike in orders for very large crude carriers pushed the backlog at Korean and Japanese ship yards to around 100 ships.



# *Small Plates*

## *Maritime*



### Port of Charleston reports February volume, strong spring outlook

By John McDermott jmcdermott@postandcourier.com 3/21/2018

The number of containers passing through the Port of Charleston slipped slightly in February from 2017, but volume remained at a record pace for the fiscal year. The State Ports Authority attributed the 3 percent decline partly to weather disruptions. Also, an unusual spike in business in February a year ago made it difficult to match last month, the agency's board was told at its meeting Wednesday in Charleston.

Container volume already is bouncing back in what's shaping up to be a "very busy" month, SPA chief Jim Newsome said. "We believe we're on pace for a record March this year," he said. Newsome noted that the March-to-May stretch typically is the busiest time of the year for the Port of Charleston, as winter weather fades and factories in Europe resume full production after holiday shutdowns. "We have to play catch-up, but historically we have played catch-up in March, April and May," he said Wednesday.

Since July 1, when the maritime agency's 2018 fiscal year began, volume at the SPA's two main terminals in Mount Pleasant and North Charleston is up 1.5 percent to about 796,000 cargo boxes. Measured a different way — in industry standard 20-foot increments — the number of containers crossing the docks at the port edged up 1 percent last month and to a record 1.4 million since July 1. The uptick is expected to continue for the remainder of the fiscal year, SPA finance chief Stan Van Ostren told the board.

Newsome said he sees "a lot of opportunities in the market right now." "Certainly, all forecasts of economic growth are good as far as we can see," he said.



### Salt Lake City to gain inland port?

By Chris Dupin American Shipper 3/16/2018

*Utah Gov. Gary R. Herbert indicated his intent to sign a bill that would allow for an inland port in the northwest quadrant of Salt Lake City, which would be connected to multiple major cities via Class I railway Union Pacific.*

Utah's Senate this week passed legislation to create an inland port authority. A similar bill was approved by the Utah House of Representatives on March 7. The inland port would be located north of Route 80 in the northwest quadrant of Salt Lake City. The Utah Governor's Office of Economic Development said in a press release Thursday that Gov. Gary R. Herbert has indicated his intent to sign the bill in the coming days. An inland port is "a large economic development opportunity for Salt Lake City and the state" and would "act as a logistics center for the entire Western U.S. and attract more international companies to relocate to Utah," the office said.

Primary activities at the inland port would include unloading and loading shipping containers, value-added manufacturing, repackaging items, and shipping them. The port would also be equipped with a customs office that will allow international customers to clear their products through customs prior to being processed and distributed. Class I railway Union Pacific would connect the inland port with Seattle, Portland, Oakland and Los Angeles, Salt Lake County said. An assessment of the proposed inland port by the Kem C. Gardner Policy Institute at the University of Utah last year found, "Salt Lake City's northwest quadrant has emerged as a regional supply chain hub. That emergence is a result of a greatly diverse economy, large manufacturing base, and proximity to the regional population. The Mountain States and some coastal markets are accessible from Salt Lake City within the allowable National Transportation Safety Board window for a single driver shift."

Once the governor signs the legislation, an 11-member board will be selected with representatives from Salt Lake City, the Salt Lake International Airport, Salt Lake County, West Valley City, the Utah Department of Transportation, the Governor, Legislature and the business community. A full-time executive director will also be hired. House Democrats opposed the inland port earlier this month, saying the board "would be given powers to make critical land-use decisions for establishing the inland port and a foreign trade zone" and "would override Salt Lake City zoning decisions."

### De-Consolidation for imports

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## Truck-driver doll encourages girls to dream of 18-wheeled careers

*Women In Trucking teams up with toy maker to market truck-driver stuffie.*

By DC Velocity Staff 3/14/2018

When talk turns to career aspirations, parents often urge their young daughters to reach for the stars. But the trade group Women In Trucking (WIT) has been working to promote a more terrestrial alternative: piloting a big rig right here on Earth.

Taking a page from the "get 'em while they're young" playbook, the Plover, Wis.-based nonprofit has made it its mission to raise awareness among youngsters about career opportunities in trucking. In 2014, for example, it teamed up with the Girl Scouts to design a "Trucks are for girls" transportation patch. Now it appears the group is targeting an even younger crowd: Last month, it announced that it had collaborated with European toymaker Haba to introduce a plush WIT-themed doll.

The 13-inch-tall doll, named "Clare," comes clad in an "I Heart Trucking" T-shirt, red collar shirt, blue jeans, boots, and a Women In Trucking baseball cap. The story of her journey into the driver's seat of her very own 18-wheeler can be found on the package. To promote the doll's launch, WIT will make Clare the centerpiece of its "I Heart Trucking" photo contest this summer. Themed "Clare's First Road Trip," the contest will invite professional drivers across the country to submit photos featuring Clare from the road. According to a WIT press release, Clare is the product of a chance meeting between Ellen Voie, WIT's founder and chief executive officer, and Lea Culliton, president of Haba USA, in an airport lounge. The talk turned to designing an empowering toy for girls, and a partnership was born. "The world is wide open for girls today, and I'm thrilled to be providing a toy that tells them that whatever they want to be is just great—whether that's a teacher or an ad exec or a professional driver," Voie said in the release.

Clare will be available at travel centers across the country in April as well as on Amazon.com and on the Haba website.

### QUOTEABLE

*"Sourcing and retaining drivers remains a top priority across our fleets."*

Dave Jackson, CEO of Knight-Swift Transportation, in the carrier's recent earnings report.

### Number of the Day

**11.4%**

**Year-over-year increase in Cass Freight Index for U.S. domestic shipments, to the highest level since June 2014**

## Answers to Trivia

### RoadOne Acquires Northeast Intermodal Transport Provider Jarvis Trans Inc.

By: AJOT 3/6/2018 - Intermodal

**Randolph, Massachusetts** - RoadOne IntermodalLogistics, a leading single source intermodal, distribution, and logistics service company, announces its acquisition of Jarvis Trans Inc., an intermodal transportation company serving the greater New England region including Boston. Daily service is also offered from New York, New Jersey and Philadelphia to all Northeast points. Jarvis Trans has been in business for over 50 years.

The intermodal drayage sector has had to confront numerous issues over the past year including a shortage of qualified drivers; the effects of the implementation of the federally mandated Electronic Logging Device (ELD's); port mandated clean trucks, as well as finding experienced operational staff. "The acquisition of Jarvis Transportation allows RoadOne to address all of these issues. Jarvis' management team of Peter Lawless and Eric Jones have decades of operational experience between them and are backed up with a talented staff. Jarvis' drivers operating newer, clean trucks, that are already ELD complaint, will increase RoadOne's capacity in the Northeast market. This is a great fit for both companies and we look forward to a bright future together," said David McLaughlin, COO, RoadOne IntermodaLogistics.

"If my father was alive today, he would be proud that his company is now part of RoadOne, the industry leader in innovative, intermodal logistics. I certainly am and I know the entire Jarvis Trans team is also," commented Peter Lawless, Jarvis Trans President.

"Jarvis Trans has always strived to provide our customers with the highest

### QUOTEABLE

*"We haven't had an increase in the gas tax in a long time. It's one of the things that we're looking at."*

U.S. Treasury Secretary Steven Mnuchin

levels of efficiency and customer satisfaction. Now, as part of the RoadOne team, we are excited to provide our customers with even more innovative services and with the same emphasis on efficiency, responsiveness and customer satisfaction," said Eric Jones, Jarvis Trans Chief Operating Officer.

"We are pleased to have Peter, Eric and the rest of the Jarvis Team join RoadOne. They have worked hard to build a high-quality service company that will clearly add value to RoadOne's Northeast operations. With the ELD era upon us Jarvis can help us to continue our mission to build the premier intermodal trucking company in the U.S. by providing additional capacity and service in the challenging New York-New Jersey to Boston corridor," said Ken Kellaway, CEO of RoadOne IntermodaLogistics



## FedEx to spend \$1bn on Memphis hub

Air Cargo News 3/16/2018



FedEx is to invest over \$1bn in its Memphis hub, the project including construction of a new sort facility with state-of-the-art sort systems, construction of a bulk truckload building and a new area to improve handling of the oversized shipments that have increased with the growth in e-commerce.

Chairman and chief executive Frederick Smith said: "Modernisation and expansion of the Memphis hub will ensure that we continue to provide outstanding service to our customers around the world and make this an even better place to work for the thousands of team members here who keep our operations running every day and night."

Construction is slated to begin in 2019 and should be completed by 2025, FedEx said. Its hub in Memphis, which currently has 11,000 staff and 163 aircraft gates, is the largest sort facility in the FedEx Express global network, according to the Tennessee State Government.

The centre processes 47% of total FedEx volume and 69% of US domestic volume each business day.

FedEx employs an estimated total of 30,000 people in the Memphis area. Tennessee State Governor Bill Haslam said: "As the Memphis area's largest employer, and a major economic driver across the state, this investment reflects FedEx's continued commitment to Tennessee and will benefit current employees and the future workforce for years to come."

## WCS 2018: Three scenarios for air cargo market growth

by Charles Kaufmann 3/15/2018 Air Cargo World

Industry-wide air cargo traffic growth is once again an invigorating subject. Despite the increase in protectionist rhetoric threatening robust global trade, evidence suggests that "nearterm geopolitical trends will not inhibit air cargo growth," said Brian Clancy, managing director of Logistics Capital & Strategy (LogCapStrat), during Tuesday's Plenary Session presentation at IATA's World Cargo Symposium.

Although impending trade wars and the deterioration of multinational pacts like NAFTA dominate the headlines, Clancy argued that, at least in the case of the U.S., with Trump, "current rhetoric is nothing more than 'Let's Make a Deal.'" Clancy's tone echoed that of IATA's chief economist, Brian Pearce, who called most of the current proposed barriers to trade forms of "soft protectionism. Regardless of how much weight the rhetoric carries, Pearce told delegates, "Border modernizing procedures are critical to offsetting protectionism."

Although much of last year's record upturn was a result of cyclical restocking linked to economic recovery, a remaining portion of the growth lacks an explanation. LogCapStrat believes this growth stems from e-commerce, which in 2017 "reached critical mass." The next phase of e-commerce will be characterized by growth in the cross-border segment, which is just getting started. Clancy warned that infrastructure is severely underprepared, and that mustering up the political will to push through infrastructure improvements is critical. Revisiting the page four graph, which scenario do you support?

## Frankfurt remains Europe's busiest cargo airport in 2017

Air Cargo News 3/16/2018

Airport operator Fraport has declared "a highly successful 2017 fiscal year" (ending December 31) as combined revenues across the group grew by almost 13.5% to €2.93bn.

Increased earnings from the group's Ground Services division (which includes cargo handling) had a positive effect on overall revenues, rising by €8.1m in comparison to 2016 on the back of increased traffic at Frankfurt.

Click the below link to read the full story

<http://www.aircargonews.net/news/airport/single-view/news/fraport-remains-europe-s-busiest-cargo-airport-in-2017.html>

Transportation Management  
Multi-modal Service  
Carrier Management  
Auditing Services  
Supply Chain Coordination



Profit Improvement Plan  
Leverage Opportunity Analysis  
Baseline Measurement  
Profit Improvement Measurement

Supply Chain Management  
Supply Chain Engineering;  
Collaboration;  
Leadership  
Strategic Management  
Consulting

FOR IMMEDIATE RELEASE

March 7, 2018

## **ATA President Urges Congress to Act on Infrastructure Funding** *Highlights Critical Road and Bridge Needs and Build America Fund as a Solution*

Washington — Today, American Trucking Associations President and CEO Chris Spear called on Congress to set aside ideological partisanship and put forward a bold infrastructure investment package to address our nation's deteriorating roads and bridges.

"While ATA recognizes how difficult it is for Members of Congress to commit to, or even openly discuss, the types of spending needed to address our ailing roads and bridges, as well as the revenue raisers necessary to get there, it is very clear that doing nothing will impose a much higher cost on the American people and on the industry I represent," Spear told the House Subcommittee on Highways and Transit of the Committee on Transportation and Infrastructure. "Each year motorists spend more than \$1,500 due to lack of infrastructure investment—\$500 spent repairing their vehicles and nearly \$1,000 more wasted sitting in traffic. The trucking industry loses more than \$63 billion every year because of congestion on our highway system. That's 362,000 truck drivers sitting idle for an entire year. And as much as we liked the tax cut we got last year, we're going to give it all back because that \$63 billion is like a 9% tax on our industry. These are the costs of doing nothing."

In his testimony, Spear cited ATA's proposed "Build America Fund," a 20-cent user fee collected on wholesale purchases of motor fuel, as a solution for paying for needed road and bridge repairs and improvements.

"Unlike tolls or mileage fees, it's extremely inexpensive to collect. More than 99 cents of every dollar will be spent on transportation projects and programs, not paying for new bureaucracies or lining the pockets of foreign banks," he said. "It doesn't grow the budget deficit and it is real money—\$340 billion in new, additional revenue over the first 10 years."

Spear highlighted the cost of inaction: a national transportation network broken up by tolls, or paid for by borrowing from foreign governments.

"Doing nothing costs drivers 15 times more than they'd pay under our proposal. Borrowing money from China just passes the buck to future generations, with interest. Some states, in desperation, are resorting to tolls. Look at I-66, just a stone's throw from Capitol Hill. You have toll rates up to \$47 for just one 10-mile trip. Rhode Island is using a loophole in federal law to discriminate against trucks by charging a truck-only toll on more than a dozen bridges," he said. "And some are promoting the idea of selling off public infrastructure to the highest bidder, leaving the people who rely on those facilities to hold the bag for the multinational corporations who will reap the profits for decades after the short-term infusion of cash that states and cities get in return is spent."

In concluding his testimony, Spear pointed out that, in the past, transportation was not a partisan issue, highlighting the fact that, as president, Ronald Reagan raised the user fee twice.

"Roads and bridges are not Republican or Democrat; they aren't free or cheap. It's time to stop pointing fingers and making excuses and start investing in our future," he said.

### **QUOTEABLE**

*"We are seeing an unprecedented rise in logistics costs."*

General Mills Chief Executive Jeff Harmening

**Editor's Note:** Whenever a "QUOTEABLE" or "NUMBER OF THE DAY" item appears in *THE SOURCE*, it is being taken from a daily logistics news bulletin email sent by the Wall Street Journal. It is titled "*Today's the daily Top Logistics & Supply Chain News*"

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