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China and a New Trade War

As of the writing of this article the Trump administration has decided to enact nearly \$50 billion of tariffs on Chinese trade. This is on top of recent tariffs on steel and aluminum that have already seen some trade partners take retaliatory stances which will most likely solidify into action as losses in their exports mount. Imposing trade barriers is a response to the persistent US trade deficit and the potential loss of domestic employment that has come along with it. For instance, [research by the Economic Policy Institute](#) stipulates that as a result of the unbalanced trade patterns between the US and China between 2001 and 2015 roughly 3.4 million jobs have been lost. Additionally, there are well documented issues of copyright infringement and intellectual property violations by Chinese entities that have affected Western businesses. A transition to protectionism, as advocated during Trump's presidential campaign, will undoubtedly bring about a new paradigm in trade relations between the U.S. and China, but a full out trade war may also herald the peak of the Port Authority of New York and New Jersey's container trade.

In 2017 the port experienced a record breaking year with nearly 3.4 million inbound container units (twenty-foot equivalent containers). One-quarter of that, by

THE WATCHLIST

Economic Variables		Current - One Year Trend	
UNITED STATES		Feb 2017 - Feb 2018	
Real GDP [Annual Rate]	Q4 2017	2.9%	
Unemployment Rate	Feb-18	4.1%	
Consumer Price Index [Annual]	Feb-18	2.3%	
Gasoline Price [Regular]	Feb-18	\$2.59	
PORT AUTHORITY REGION			
Regional Employment [NY MSA]	Jan-18	9,724	
Consumer Price Index [Annual]	Feb-18	1.7%	
Port District Exports [\$Bill]	Jan-18	\$11.40	
Port District Imports [\$Bill]	Jan-18	\$24.31	
Case-Shiller Home Price Index	Jan-18	5.2%	
Commercial Real Estate Asking Rent			
Midtown	Q4 2017	\$83.57	
Downtown	Q4 2017	\$62.76	

value, originated from China.

With the steel tariffs and new high tech tariffs in place, nearly one-third of China's imports to the port can be impacted; this equates to nearly \$9 billion in trade. Below is a list of the top imports from China at the Newark container facility ranked by value. The bold lines show groups of import items impacted by new tariffs.

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Imported Chinese Goods at Port Newark

Commodity	% of Weight	% of Value
Boilers, Machinery etc.	6.4%	11.1%
Electric Machinery, Sound Equip, TV Equip, etc.	4.9%	11.0%
Furniture; Bedding, Lamps, etc.	12.6%	9.9%
Plastics and Articles Thereof	9.1%	6.6%
Apparel Articles and Accessories, Knit or Crochet	2.2%	5.7%
Toys, Games & Sport Equipment, Parts & Accessories	4.0%	5.2%
Apparel Articles and Accessories, Not Knit etc.	1.7%	4.9%
Footwear, Gaiters etc. And Parts Thereof	1.3%	4.0%
Organic Chemicals	2.9%	3.7%
Articles of Iron or Steel	5.6%	3.1%

Source: USA Trade Census

MONTHLY ECONOMIC INDICATORS

THE PORT AUTHORITY OF NY & NJ

Planning and Regional Development Department

March 2018

AVIATION	Jan '18	YTD	Jan '18/'17	YTD '18/'17	PORT COMMERCE	Jan '18	YTD	Jan '18/'17	YTD '18/'17
Revenue Passengers (000's)	9,503.0	9,503.0	-2.6%	-2.6%	Port Trade				
John F. Kennedy International Airport (JFK)	4,240.5	4,240.5	-5.5%	-5.5%	Container Imports (TEUs)	309,003	309,003	18.5%	18.5%
LaGuardia Airport (LGA)	1,919.7	1,919.7	-6.0%	-6.0%	Container Exports (TEUs)	112,893	112,893	1.7%	1.7%
Newark Liberty International Airport (EWR)	3,300.0	3,300.0	2.9%	2.9%	Containers lifted on/off Express Rail	50,303	50,303	19.8%	19.8%
Stewart International Airport (SWF)	42.9	42.9	95.9%	95.9%					
Revenue Freight (Short Tons)	175,189	175,189	6.1%	6.1%	TUNNELS, BRIDGES & TERMINALS	Jan '18	YTD	Jan '18/'17	YTD '18/'17
Domestic	64,957	64,957	10.5%	10.5%	Eastbound Vehicle Volumes (000's)	9,015	9,015	-1.0%	-1.0%
International	110,232	110,232	3.7%	3.7%	George Washington Bridge	3,871	3,871	-2.0%	-2.0%
Flights	111,116	111,116	-3.6%	-3.6%	Lincoln Tunnel	1,468	1,468	-0.8%	-0.8%
Domestic Air Carrier	69,535	69,535	-5.7%	-5.7%	Holland Tunnel	1,133	1,133	-3.3%	-3.3%
International Air Carrier	24,061	24,061	2.7%	2.7%	Bayonne Bridge	221	221	61.0%	61.0%
General Aviation	17,520	17,520	-3.0%	-3.0%	Goethals Bridge	1,165	1,165	-3.1%	-3.1%
Paid Parked Cars	528,426	528,426	-8.2%	-8.2%	Outerbridge Crossing	1,157	1,157	-0.2%	-0.2%
Revenue AirTrain Passengers	1,462,000	1,462,000	-5.8%	-5.8%	Eastbound Volumes by Vehicle Type (000's)				
					Autos	8,198	8,198	-1.3%	-1.3%
					Trucks	586	586	3.0%	3.0%
					Buses	232	232	0.9%	0.9%
FERRY OPERATIONS	Jan '18	YTD	Jan '18/'17	YTD '18/'17	U.S. TRANSPORT. SERVICES INDEX	Jan '18	Dec '17	Change	
Passengers (000's)					(Prelim., Seasonally Adj., 2000=100)				
New Jersey Ferries	655.5	655.5	5.4%	5.4%	TSI - Combined Index	131.1	131.2	-0.1%	
					TSI - Freight	132.3	132.0	0.2%	
					TSI - Passenger	128.5	127.0	1.2%	
PATH	Jan '18	YTD	Jan '18/'17	YTD '18/'17					
Passengers (000's)	6,474.0	6,474.0	2.4%	2.4%					
Average Weekday	266.6	266.6	-0.1%	-0.1%					
Average Saturday	100.7	100.7	3.8%	3.8%					
Average Sunday	70.6	70.6	-10.2%	-10.2%					

TRANSPORTATION FOCUS

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If the trade coming from China was the only thing being impacted, then it could be contained by swapping out their goods for another country's goods or domestic production. Trade barriers such as tariffs, however, often don't go unchallenged. What most fear are the ramifications of the new tariff regime and the potential for retaliation. And, as anticipated, China has volleyed back with a \$3 billion tariff on pork, apples, steel pipe and other goods. If countries still honor the current trade systems, then the World Trade Organization's will allow retaliation that is not punitive but rather limit the amount to an "equivalent to the level of nullification and impairment" which would still be nearly \$50 billion. This could have a large impact on our regional economy felt mainly by exporters to China who call New York or New Jersey home. In 2017 nearly \$2 billion in exports left New Jersey or New York for China in containers. Using U.S. Bureau of Labor Statistics impact estimates, Chinese tariffs on regional exports could directly affect 5,400 jobs. This seems like a low estimate, however, as it does not capture the negative impacts from higher prices caused by trade tariffs and quotas throughout the region.

As reported in our February 2017 MEI, trade wars don't end well for anyone. In particular, benefits are highly concentrated while costs are diffuse. The New York Times illustrated this fact recently by showing how the benefits from tariffs on steel and a aluminum accrue to a few producing counties while costs in the form of higher prices fall across a wide array of counties in the Midwest, i.e. "Trump country". Consumers end up having fewer choices and paying higher prices, negatively affected corporations lose profit and possibly shed employees, and the countries in these trade disputes often see a decline of growth in their economies. As [Jennifer Mason and Mireya Solis of the Brookings Institution](#) stated, "an 'America First' trade policy may actually yield an 'America Last' outcome". We will be watching the regional economy for adverse economic impacts in the coming years.

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