

“Trump vs. Pelosi and the Chinese”

By Tommy Williams, CFP®

All trade war news was not bad last week. There was actually some good news. The United States took steps to reduce trade friction with the European Union, Canada, Mexico, and Japan. For example, *“The United States on Friday reached an agreement with Canada and Mexico to remove steel and aluminum tariffs, which had been a persistent source of friction across North America over the past year. The deal on metals came as Mr. Trump decided not to press ahead immediately with levies on EU and Japanese automotive products – despite declaring that foreign car and vehicle imports represented a threat to U.S. national security,”* reported James Politi, Jude Webber, and Jim Brunnsden of Financial Times.

There was some bad news, too. Trade tensions escalated between the United States and China. The United States doubled tariffs on \$200 billion of Chinese goods and threatened tariffs on an additional \$325 billion of goods. The United States imports about \$539 billion worth of goods from China

each year. As the progress on trade talks screeched to a halt, and the tension between the White House and Democratic leadership escalated, the stock market took a mild dive.



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China currently has tariffs on \$110 billion of American goods and they announced plans to hike tariffs on \$60 billion of these goods. In total, China imports \$120 billion worth of goods overall from the United States each year.

While the relatively small amount of American goods imported by China would seem to give the United States an advantage in a trade war, China has other means of gaining leverage. The country holds about 7 percent of U.S. debt, which is more than any other nation, reported Jeff

Cox of CNBC. If China were to slow purchases of Treasuries, yields on U.S. government bonds may move higher. Sort of strange to be at odds with one of the major buyers of your debt.

A source cited by Reshma Kapadia of Barron’s suggested it is unlikely the Chinese will stop buying Treasuries. *“Where would they put the trillions of dollars? Ten-year German Bunds are below Japanese 10-year yields; there aren’t a lot of options...They also don’t want their currency to appreciate, so that handcuffs them...China tends to find things to hurt adversaries without hurting themselves.”* And one more thing, 41% of the apparel and 72% of the footwear purchased worldwide is manufactured in China. (I would submit that there are some items that people close to me think are sacred and should be left alone).

Incidentally, you may wonder who actually pays these tariffs? When the U.S. imposes a tariff on an imported good from China (like a television or laptop) the tariff is paid to the US

Customs and Border Protection Service by an American-based broker who represents the US retailer (the “importer of record”) who is buying the Chinese good. It is not paid by the Chinese government.

And while you were wondering what is the worst: Iranian/U.S. tension, Trump vs. Pelosi, trade wars, let’s turn back to the positive. What cities offer the best quality of life? It is not who you think. In March, Mercer published its 21st Quality of Living Survey. The goal is to help multinational corporations with data that can help them optimize their global operations. The survey considers factors like safety, housing, recreation, economics, public transportation, consumer goods, and more. For 2019, the cities offering the highest quality of life were:

- 1.Vienna, Austria
- 2.Zurich, Switzerland
- 3.Vancouver, Canada
- 4.Munich, Germany
- 5.Auckland, New Zealand
- 6.Düsseldorf, Germany
- 7.Frankfurt, Germany
- 8.Copenhagen, Denmark
- 9.Geneva, Switzerland
- 10.Basel, Switzerland

Thirteen of the world’s top-20 cities were in Europe. The safest cities in

Europe were Luxembourg, Basel, Bern, Helsinki, and Zurich. The least safe, as far as personal safety goes, were Moscow and St. Petersburg. In North America, Canadian cities generally did better than U.S. cities. The highest ranked city in the United States was San Francisco, which came in at 34th. Boston ranked 36th and Honolulu 37th. The safest cities in North America were Vancouver, Toronto, Montreal, Ottawa, and Calgary. I bet that was not what you thought!

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