

“So how does the tariff debate affect you?”

By Tommy Williams, CFP®

As Yogi Berra once said: It's déjà vu all over again. Last week, global stock markets took a bit of a dip after President Trump announced a 25 percent tariff on steel and a 10 percent tariff on aluminum. Tariffs are taxes on goods imported from other countries. In general, governments impose tariffs to enhance revenue and/or protect domestic industries from competition abroad.



Tommy Williams

Tariffs tend to spark fierce debate about protectionism and free trade. Proponents suggest tariffs may protect domestic companies and create jobs. Critics suggest tariffs may slow economic growth and drive prices higher.

Here's the thing: tariffs don't always produce the anticipated results. Let's take a look at two examples while keeping in mind that World Trade Organization (WTO) rules do not allow countries to impose new tariffs unless they are 'safeguards' intended to protect a domestic industry.

In 2002, President George W. Bush imposed a tariff on steel. While the WTO was deliberating about the action, *"...the European Union ended up hitting Bush where it hurt. The bloc planned tariffs on a wide range of products, including many produced in key swing states where job losses could hurt Bush's chances of re-election,"* reported Time. The WTO eventually decided the tariff was illegal. Eventually, in 2003, the tariff was removed.

In 2009, President Obama imposed a safeguard tariff on Chinese-made tires. China retaliated by restricting imports of

American chicken feet (a culinary treat in China), reported The Economist. At the time, U.S. exports of chicken appendages were valued at about \$278 million. Guess what happened?

Far fewer Chinese tires were exported to the United States. However, tire imports from South Korea, Thailand, and Indonesia doubled, more than offsetting the decline in Chinese-made tires, reported the Council on Foreign Affairs. On the other side of the tariff tiff, U.S. poultry exports to China fell, but U.S. poultry exports to Hong Kong rose. As they say, when one door closes, another door opens.

In the big picture, it's unlikely U.S. tariffs on steel and aluminum will have significant impact on China. China happens to be the reported target of the new steel tariffs. After all, China ranks eleventh on the list of nations sending steel to the United States, reported National Review. Most U.S. steel is imported from U.S. allies

such as Canada, Mexico, and South Korea.

So, this may have you wondering, what does your state export? Every state has adopted official symbols that represent its culture and heritage. You can probably name your state's official bird and flower. It's likely you recognize your state's flag and its seal. Can you name its highest value export?

The United States exported about \$1.6 trillion worth of goods during 2017, according to The World Factbook. Here is a list of the states that export the most, along with their highest value exports:

1. Texas – fuel oil and light oil
2. California – civilian aircraft, engines, and parts
3. Washington – civilian aircraft, tanks, and armored vehicles
4. New York – diamonds and art
5. Illinois – light oil and soybeans
6. Michigan – trucks and passenger vehicles
7. Louisiana – fuel oil and soybeans
8. Florida – civilian aircraft and cellular phones
9. Ohio – civilian aircraft and soybeans
10. Pennsylvania – coal and medicine

11. Indiana – medicine and gear boxes
12. Georgia – civilian aircraft and gas turbines
13. New Jersey – fuel oil and jewelry
14. Tennessee – medical instruments and civilian aircraft
15. North Carolina – civilian aircraft and medicine

It will truly be interesting to see this tariff saga play out. As always, stay tuned! The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. This material was prepared in part by Peak Advisor Alliance. Visit us at www.williamsfa.com. Tommy Williams is a CERTIFIED FINANCIAL

PLANNER™ Professional with Williams Financial Advisors, LLC. Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through RFG Advisory Group, a registered investment advisor. RFG Advisory Group, Williams Financial Advisors, LLC, and Peak Advisor Alliance are separate entities from LPL Financial. Branch office is located at 6425 Youree Drive, Suite 180, Shreveport, LA 71105.