

# FINANCIAL TRIBUNE

## **Trump Having “Very Destructive Effect on US, Global Society”**

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US President Donald Trump’s threats to slap tariffs on trading partners’ exports as a way of wringing concessions from them sets “a very dangerous precedent”, warned Nobel Prize winning economist Joseph E. Stiglitz in a recent interview with the Nikkei Asian Review.

Imposing steel tariffs based on “national security is going down a very dangerous route, because every country can claim almost everything in the name of national security,” said Stiglitz, now a professor at Columbia Business School.

“If the US is committed to following the international rule of law, it should’ve brought the cases to the World Trade Organization,” Stiglitz added. “It’s a very dangerous precedent, and that’s why countries in Europe or all over the world are so concerned.”

The Trump administration has been trying to negotiate trade disputes bilaterally, without bringing them to the WTO. “It illustrates very destructive effect that Trump is having on American society, American relations with other countries and on global society,” said Stiglitz, who served as chairman of the Council of Economic Advisers under Bill Clinton.

Stiglitz suggested the world should work to establish international order without the US. “The US and North Korea are the two rogue countries that won’t go along with international rule of law,” he said, slamming Trump’s policies. “The WTO has to go ahead without the US and appoint new judges with a majority vote.”

Trump has moved aggressively on trade in recent weeks, targeting multiple countries with steep tariffs on steel and aluminum early March. He then separately announced tariffs on \$50 billion worth of Chinese exports to the US.

Reaction to the duties has been mixed in Asia. China quickly retaliated with tariffs on US exports with a similar value, a move that Stiglitz called “an example of the right, measured response”.

South Korea secured an exemption to the US steel tariff by giving the US auto industry greater access to its market, and by promising to bolster transparency in its foreign exchange policies. “I think the South Koreans have made a major mistake in signing a new agreement. The two

provisions never would've been approved if there had been a more democratic, open process," Stiglitz said.

Japan has not responded officially to Trump's tariff policy. "What Japan is doing right now is appeasement," said Stiglitz. "Trump is a bully and appeasement won't work. You have to retaliate."

### Impact on Local Economy

Trump's desire for tariffs could have a major impact on the regional farm economy. Last week, Trump told his trade officials to find \$100 billion in tariffs on Chinese imports. For Missouri, that could mean soybeans, which is the state's number one cash crop. Brooks Hurst, president of the Missouri Soybean Association, said tariffs could have a negative impact on Missouri farmers, Newspress reported.

"A good way to think about is, one in three rows go to China," he said citing how much of the state's soybeans China buys from the US. He said China uses the crop to feed hogs.

While China also imports a massive amount of soybeans from South America, a tariff would tip the balance in South America's favor, Hurst said. China likely would purchase more from that part of the world and less from Missouri.

"I think there's a lot of people who don't know this is happening," he said. "If ours are more expensive, why would they buy them from us?"

### False Premise

The recent rise in United States economic nationalism is based on false premises—that past restrictions on foreign competition were successful in decreased imports, increased jobs, industrial revival, open foreign markets, and economic prosperity, according to a recent report from the Cato Institute, Global Trade magazine reported.

"Politicians and pundits use such assertions to justify new nationalist economic proposals," the report noted, "but they ignore" a slew of academic analyses and real-time reporting that show that American trade protectionism has imposed immense economic costs on American consumers and the broader economy, and also has failed to achieve its primary policy aims. That's been true even in the periods of protectionism cited as successes, and the trend has also "fostered political dysfunction along the way."

This Cato Institute report surveys academic literature from three periods of American history: from the founding to the United States' entry into the General Agreement on Tariffs and Trade in 1947; from the GATT's early years to the creation of its successor, the WTO, in 1995; and the current WTO era.

"These surveys show," the report concluded, "that, contrary to the fashionable rhetoric, American protectionism has repeatedly failed as an economic strategy."

While it's true that international trade has foisted disruptions to the US economy, and a discussion of the causes, effects, and solutions would be worthwhile. But that dialog has also

“spawned troubling suggestions,” the paper said, “that the US government should be more willing to experiment again with protectionism to help American workers and the economy.”

The Cato report helps counter those ideas, with numerous examples from history of the failure of protectionism as a US policy. “Unless our policymakers quickly relearn this history,” the paper noted, “we may be doomed to repeat it.”