



Manufacturing nationalism likely to distort US market and harm its consumers

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U.S. President Donald Trump’s “America first” mantra involves barriers to trade and immigration and a sort of manufacturing nationalism. Experiences like Argentina’s show that this approach creates market dysfunction and can hit economic output and jobs. More of that kind of fallout is likely in 2019 as the White House rolls out further protectionist measures.

Agricultural tariffs have already hit American farmers, prompting the promise of \$12 billion in aid to offset the damage – one glaring market distortion.

Car prices, meanwhile, could increase by up to 20 percent if the U.S. administration imposes the threatened 25 percent levy on foreign content and manufacturers pass this through to U.S. consumers, the Peterson Institute for International Economics calculated in July. This is bad news for automakers and their employees. The increased cost would also vaporize up to a quarter of the tax reductions handed to car buyers in the 2017 cuts, the PIIE reckons.

That shows how import tariffs interact with global supply chains, also critical in consumer electronics. Several analysts have suggested the cost of Apple’s \$1,000 iPhone X might double if the gadget could be made entirely in the United States — assuming the company didn’t absorb any of the extra cost.

There’s more to it, though. When President Cristina Fernandez insisted in the early part of this decade that electronics be made inside Argentina, then-trendy BlackBerry gave it a go. Despite Fernandez’s Trump-worthy photo opportunity when the first handset rolled out, the device was already out of date as well as too expensive, National Public Radio explained in a 2017 podcast. BlackBerry production ended within a few years.

Apple Chief Executive Tim Cook has noted that the company’s outsourcing — much of it centred on China — is these days not so much about cost savings. It’s about the quantity and skill level of labor that’s available. That, along with certain kinds of manufacturing know-how, can be hard to replicate at scale, even in the United States.

Uncle Sam has resources Argentina can only dream of, but the basic lessons still apply. The United States’ own history shows the failure of episodes of protectionism, the Cato Institute argued in 2017, highlighting the steep economic costs researchers have identified. A made-in-America market will be a badly distorted one.