



## **The trade war we don't need, but perhaps deserve**

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The Trump administration's confused and counterproductive trade policy never ceases to amaze.

Fresh off of last week's launch of an investigation into the national security implications of auto imports, the announcement of which highlighted the U.S. auto industry's alleged travails, Commerce Secretary Wilbur Ross has now served notice that the United States will be imposing tariffs on imported steel and aluminum from Canada, Mexico and the European Union.

Among the move's biggest victims: the U.S. auto industry. Accounting for 15 percent of the country's steel consumption and 38 percent of its aluminum appetite, American auto firms will now be forced to pay higher prices for both.

These costs, of course, will at least partly be passed along to American consumers — a story set to repeat itself throughout the American economy.

Secretary Ross may have famously noted that the tariffs will only increase the cost of a soup can by 0.6 cents, but he's been less eager to talk about the impact on consumer items such as cars and appliances or goods purchased by businesses ranging from railcars to oil-drilling equipment.

In addition to higher input costs and reduced competitiveness, U.S. companies will be hit with the double-whammy of retaliatory tariffs that will make their exports less attractive to foreign consumers.

Mexico has already announced the imposition of duties on a number of agricultural and steel products, while the European Union and Canada are readying tariffs on a range of U.S. goods that are expected to reach into the billions of dollars.

American farmers are likely to find themselves particularly pinned down in this trade war crossfire. Between paying more for their equipment — tractors use considerably more metal than a can of soup — and reduced export opportunities from retaliation, one has to wonder how much more of "Making America Great Again" their wallets can handle. Perhaps we'll find out in November.

While the economic fallout of the Trump administration's ill-advised move is maddening enough, it should also be remembered that this exercise is being done in service of a farce. Justifying the protection of U.S. steel and aluminum firms on national security grounds, the administration's rationale for these latest tariffs, is entirely hollow.

Neither the U.S. steel nor aluminum industries are in decline, as measured by production, with output of both essentially unchanged over the last 30 years.

Of these amounts, the Commerce Department's own steel investigation report notes that a mere 3 percent is necessary to satisfy direct defense needs, while its aluminum report admits that the Department of Defense and its contractors only use "a small percentage" of U.S. aluminum production.

To the extent the United States is reliant on imports, Canada alone, which is both a NATO ally and an official part of the U.S. industrial base, accounted for over half of primary aluminum imports in 2016 and nearly two-thirds from 2013-15.

Last year, Canada was also the U.S.'s top supplier of imported steel, while another five countries with whom the United States has mutual defense arrangements figured in the top 10 sources of imports.

The Trump administration, therefore, is undermining U.S. businesses, harming consumers and roiling relations with key allies to ward off a threat that is grossly exaggerated if not a complete fiction.

Perhaps, however, there is a silver lining to be found. For decades, and particularly since the advent of the World Trade Organization, U.S. trade policy has sailed upon fairly placid waters. The occasional spat or tiff has arisen, but nothing constituting anything close to a trade war.

The upside of this long peace has been substantial, but the benefits of trade now appear to be taken for granted and the costs of its interruption unappreciated. President Trump no doubt captured the views of many with his assertion that trade wars are "good, and easy to win."

The only way to disabuse believers of such rhetoric may be to have an actual trade war, the opening salvos of which are perhaps now underway. Although the damage from measures currently on the table will be substantial, the economy could prove resilient enough to avoid slipping into recession.

The bite from these flawed measures, however, could conceivably still be sufficiently fierce to convince the Trump administration to change tack toward a more positive agenda. Such a Goldilocks scenario isn't much, but right now it just might be the best we can hope for.

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