



Tariffs would throw monkey wrench into humming economy

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An odd truth must be admitted on trade policy: For all of President Donald Trump's bluster and threats almost one year into his term, he hasn't raised a single tariff. This is not to soft-pedal or deny his protectionist instincts, which are plain for all to see.

After all, he is the president who withdrew from the Trans-Pacific Partnership (TPP) only days after taking office, oversaw the launch of trade investigations widely seen as a prelude to possible tariffs, threatened to withdraw from both the North American Free Trade Agreement (NAFTA) and Korea-U.S. Free Trade Agreement (KORUS) and privately thundered to advisors about his desire to impose tariffs.

This list is far from exhaustive.

Yet, U.S. trade policy — with the glaring exception of TPP — is largely in the same place it was when President Obama left office. Have saner voices inside the White House prevailed, or is this just the calm before the storm? The answer should be apparent in the coming months, and possibly even weeks, as a series of trade-related deadlines will force the president to show his hand.

Likely the first indication will be Trump's decision on investigations into the national security implications of steel and aluminum imports, with reports generated by the investigations into both due to hit his desk later this month.

If Trump is looking for an excuse to impose tariffs, this will be an early opportunity to do so, provided the investigations produce affirmative findings of a threat to national security. Likewise, if Trump merely takes the reports under advisement, it could be a signal that his enthusiasm for protectionism may be waning.

Also looming is an investigation into alleged trade violations committed by China related to technology transfer, intellectual property and its innovation policies. Although the deadline for making a determination on the case is not until August, there are reports that a draft report has already been completed and that a finding could come as soon as this month.

The nightmare scenario here is that Trump, as rumored, will slap significant tariffs on a variety of Chinese goods, thus touching off a mutually destructive trade war as Beijing responds with measures of its own. If January passes, however, with the report still unreleased, it could serve as a possible sign that the White House intends to proceed in a less aggressive manner than has been widely speculated.

Beyond those trade law cases initiated by the administration, a pair of investigations launched at the behest of industry will soon require President Trump's attention.

Bankrupt solar cell manufactures Suniva and SolarWorld have convinced the U.S. International Trade Commission (USITC) to recommend the imposition of tariffs in response to alleged harm from foreign competition, with a decision on the matter required from the White House by Jan. 26.

In February, meanwhile, Trump will have to decide whether to adopt the USITC's recommendation to impose a tariff rate quota of up to 50 percent on imports of foreign washing machines in response to allegations of harm by U.S. manufacturer Whirlpool.

The ongoing renegotiations of the NAFTA and KORUS deals should prove similarly revealing. With Mexico facing a presidential election in July, the NAFTA negotiations have set a March deadline to wrap matters up.

Although President Trump recently threatened to "terminate NAFTA in two seconds" if the right deal can't be made, he also said that "we're doing pretty good" regarding the current talks. While matters could go either way, Trump has been feeling the heat from farmers and other business interests who would be harmed by a withdrawal.

Negotiations to change KORUS, meanwhile, which kicked off Friday in Washington. The tone from such discussions could provide clues whether Trump is more interested in establishing common ground or in an excuse to abandon the agreement.

The trade story could very well still end in tears, with plenty of opportunities in the New Year for Trump to choose a protectionist path.

But a more optimistic scenario exists: Amid record stock market highs and an unemployment rate trending toward 4 percent, Trump could be swayed by arguments senior administration officials are reportedly making.

Namely, that tariff increases would amount to throwing a monkey wrench into an economic machine that is nicely humming along. For the sake of the country, let's hope they prevail.

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