



War inside Trump trade team triggers global angst

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President Donald Trump's abrupt decision Thursday to slap steel and aluminum tariffs on Canada, Mexico and the European Union capped a whipsaw week that reflected not just the deep divisions among his top economic advisers, but the changeable attitudes of the irascible and unpredictable president himself.

Senior administration officials profess privately to not knowing exactly what Trump will ultimately decide to do on trade at any given moment. The uncertainty has led the president's advisers to compete for his attention in a bid to sway him, leading to nasty behind-the-scenes fights that are increasingly bursting into public view.

The week began with a statement that the administration would move ahead with trade levies on China, just days after Treasury Secretary Steven Mnuchin said a trade war with the world's second-largest economy was "on hold." Trump's senior trade adviser Peter Navarro publicly rebuked Mnuchin's statement on Wednesday, calling it an "unfortunate sound bite."

One senior administration official said privately this week that Navarro's public scolding of the Treasury secretary was a "firing-level offense" but held out no hope that Trump would take any action.

The result of the infighting is a trade policy that's nearly impossible for anyone to understand or predict and which risks undermining Trump's economic and stock market gains. Thursday's action sent markets down, compounding losses earlier in the week after the China announcement.

"This begins and ends at the top, and the president is behind all of it. He intends to be tactically unpredictable and thinks it's a fantastic negotiating approach," said economist Douglas Holtz-Eakin, president of the conservative American Action Forum. "But they are on a course that has failure written all over it. What you wind up doing is confusing people, doing incalculable damage to relationships with allies and shooting yourself in the foot on the economy when regulatory and tax reform are doing so well."

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Trump's nationalist allies inside and outside the administration viewed Thursday's steel and aluminum announcement as a major victory and an indication that the president isn't going soft on trade, despite concerns sparked by his decision to delay the tariffs and to engage in high-level talks with the Chinese over separate tariffs related to alleged theft of intellectual property.

"These tariffs are on. They're not bargaining chips. They're not negotiating ploys," said one person familiar with the president's thinking, applauding him for finally deciding to hit the EU, Canada and Mexico with the duties.

Trump, two people close to him said, has lost patience with what he views as the seemingly never-ending negotiations on a range of trade issues, from NAFTA to the steel and aluminum tariffs to intellectual property issues with China.

"He's fed up with feeling like the negotiating partners aren't ever going to give in to his demands," said one former administration official. "He's tired of waiting to do big things on trade."

Trump has been pushing his advisers for months to bring him hard-line trade options, including steep tariffs. And there are fewer people in the White House these days capable of slowing down the process and explaining why the options should be mulled over and analyzed. Former National Economic Council director Gary Cohn once played this role but his successor, Larry Kudlow, has a more conciliatory approach and is inclined to find consensus rather than push back aggressively against protectionist policies.

Former staff secretary Rob Porter, who resigned in February amid domestic abuse allegations, put in place a carefully organized trade policy process, complete with weekly meetings that gave advisers a forum to make their case, explain the benefits and pitfalls of each approach and ensure that key agencies weigh in.

Since Porter's departure, there has been significantly less coordination, with Cabinet officials and senior aides each focusing on their piece of the issue sometimes without communicating with each other. Asked who is coordinating the internal trade policy discussions, one administration official pointed to the president himself.

"No one is even trying to coordinate trade policy. There is no process," said the former administration official. "Someone has to organize and sequence the issues, make sure all the voices are heard, put people in their place when they're touting inaccurate information," the former official added. "POTUS can't do that himself. No POTUS could."

The alliances on trade have shifted in complex ways in recent weeks, as the administration has tried to simultaneously renegotiate NAFTA, strike a trade deal with the Chinese and impose new tariffs on steel and aluminum from countries previously thought of as international allies. The White House is also considering tariffs as high as 25 percent on all imported cars.

The free trade camp now includes Mnuchin, Kudlow and even Chinese Ambassador Terry Branstad. Commerce Secretary Wilbur Ross — in an effort to strike deals that please the president — has also recently begun aligning himself with Mnuchin and the free traders, said a second former administration official and one Republican close to the White House.

Mnuchin has welcomed that alliance, with the hope that Ross will use his connections within the business community to rally support around whatever deal the administration can make with China, said the Republican close to the White House. Mnuchin also wanted Ross to help him lead the effort to nudge the Chinese to purchase more U.S. products, which typically falls under the purview of Commerce, the Republican added.

On the other side, Navarro has positioned himself as one of the last China hard-liners in the administration, and he has groused privately for weeks that Mnuchin is too willing to make deals with Beijing, according to people familiar with the internal discussions.

Mnuchin's statement on Fox News earlier this month that the U.S. was "putting the trade war on hold" infuriated Navarro, leading to his not-so-subtle jab this week in an NPR interview. But Navarro wasn't the only one surprised by the remark, which raised eyebrows among some of the president's other advisers, including U.S. Trade Representative Robert Lighthizer, the people familiar with the discussions said. Lighthizer rushed to put out his own statement just hours later, stressing that tariffs were a crucial option to "protect our technology" against the Chinese.

"The president is really after the best deal, and we really have been very soft with the Chinese for decades now to the point where people have gotten used to it," said the second former administration official, who insisted that there is a method to the president's seemingly schizophrenic approach to trade. "President Trump has got certain priorities he has laid out. I've always felt his tweets were not just meant for the large audience but even for his staff. 'This is how I feel. Make it happen.' That is what we are seeing now."

As of Thursday afternoon, it was unclear whether Ross still intended to head to China for talks slated to start on June 2. The secretary, who is currently in Paris attending an OECD event, needs to leave by Friday to make it to China in time, so the administration is under pressure to make a decision. The Commerce Department press office did not immediately respond to queries about Ross' travel plans.

Trump's allies insist that there's a method to the madness. Unpredictability, they argue, is an asset, not a liability. Keeping other countries — even the United States' longtime allies — on their toes makes them more likely to come to the negotiating table.

The White House move to reimpose steel and aluminum tariffs helped send the Dow down more than 200 points on Thursday. Markets were already on edge following the action against China and threats by the Chinese to retaliate.

Trump has long viewed the stock market as a referendum on his performance and cited gains as validation of his policies. But he has so far largely shrugged off any declines related to his trade moves.

Ross also shrugged off concerns over the steel and aluminum tariffs on Thursday. "This has been under discussion for quite a long time and it's a very small percentage of the respective economy. A fraction of 1 percent," he told CNBC.

Ross also dismissed a retaliatory threat from the EU to impose billions of dollars in tariffs on U.S. products ranging from peanut butter to bourbon to blue jeans. "Well, you'd obviously have to talk to the EU, but think about how small in number \$3 billion of product is relative to our \$18

trillion economy,” he said. Canada on Friday said it would retaliate with tariffs on up to \$6.6 billion of U.S. exports.

To opponents of tariffs and Trump’s approach to trade, however, the actual numbers and risks to the U.S. economy from all the internal White House fighting are far higher than just these numbers. Those opponents include senior Republicans on Capitol Hill.

House Ways and Means Committee Chairman Kevin Brady (R-Tex.) on Thursday said the moves on steel and aluminum “puts American workers and families at risk.” And Senate Finance Committee Chairman Orrin Hatch (R-Utah) also issued a sharply worded statement. “Tariffs on steel and aluminum imports are a tax hike on Americans and will have damaging consequences for consumers, manufacturers and workers,” he said.

The American public also seems wary of tariffs. In the latest POLITICO/Morning Consult poll, 70 percent of respondents said Trump should focus on negotiating deals to open new markets while 14 percent said he should focus on tariffs.

The economic risks are significant.

Roughly half of imports into the U.S. are “intermediate goods” bought by American companies to use in production. Raising the costs of imports from Canada, Mexico, the EU and China could lead to higher prices for American consumers and businesses, potentially slicing into economic growth.

Consistent uncertainty among businesses, investors and consumers about U.S. trade policy could also sharply delay both production and consumption, analysts say.

“In the steel and aluminum case, we are talking about taxing users that are much more significant to the economy in terms of jobs and growth than are the producers of steel and aluminum,” said Dan Ikenson of the free-market Cato Institute. “Everything that this administration is doing on trade threatens progress in other areas. Trump is playing with fire here and he doesn’t quite get it. And I think we are about to go over the cliff.”