



## **These Products Could Get More Expensive in a Trump Trade War**

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President Donald Trump is moving ahead with plans to impose tariffs on Chinese-made products, instructing U.S. Trade Representative Robert Lighthizer to identify a list of items that would be subject to about \$60 billion in U.S. sanctions.

The move is the first step in addressing what the administration calls “China’s economic aggression.” But if Trump ends up imposing the tariffs, which is not certain, it could increase the price Americans pay for a number of consumer products, according to many economists and industry advocates.

The prospect of a trade war with China spooked financial markets. The Dow Jones industrial average plunged more than 700 points, or nearly 3 percent, on Thursday, and was down further on Friday.

A cycle of retaliation may already be underway. On Friday, China announced plans to impose tariffs on \$3 billion of U.S. imports in response to the Trump administration’s tariffs on steel and aluminum, which were ordered earlier this month.

“So far China’s response to the new round of tariffs is only rhetorical, but they are preparing various options,” says Jeffrey Schott, senior fellow at the Peterson Institute for International Economics, a nonprofit policy research group in Washington, D.C.

The U.S. has accused China for years of engaging in unfair trading practices and stealing American intellectual property, enabling China’s economy to grow rapidly.

The U.S. says China forces companies that want to do business there to give up their trade secrets. Technology companies, for example, have had to license their source code to the Chinese, which the U.S. says has then been stolen.

Trump has said that his administration would impose tariffs in order to put an end to that.

“Intellectual property rights are our future,” says Commerce Secretary Wilbur Ross, a strong supporter of the tariffs.

Most trade experts agree that China’s trade policies are unfair, but getting Beijing to change is difficult.

“Whoever is in office has to deal with China’s mercantilism, and there is no easy way to do it,” says Claude Barfield, a resident scholar at the American Enterprise Institute and former consultant to the office of the U.S trade representative.

Tariffs alone will do little to address the intellectual property issue, says Alan Dearnorff, professor of international economics at the University of Michigan.

“It’s not clear what steps the administration is asking to China to take, or what it would need to do to persuade the administration that its behavior had changed,” he said.

Retailers, meanwhile, say that American consumers will ultimately bear the brunt of any trade war with China.

“Holding China accountable for refusing to follow global trading rules is important and necessary, but instead, the tariffs proposed by the administration will punish ordinary Americans for China’s violations,” Matthew Shay, CEO of advocacy group National Retail Federation, said in a statement.

Other economists agree that in the end, tariffs will hurt the consumer.

“Tariffs raise the cost of production for U.S. companies and reduce the spending power of consumers,” says Dan Ikenson, director of trade policy studies at the Cato Institute, a libertarian think tank.

Tariffs also aren’t the best way to achieve the administration’s goals, Ikenson says.

“China is more responsive if brought before the international community,” he says. “We’re going it alone, antagonizing our trade partners with no friends.”

The actual impact on consumers is still unclear, however. For one thing, it hasn’t been decided which products will be subject to tariffs. The U.S. trade representative’s office said it would submit a list of potential targets in 15 days.

It also hasn’t been decided how soon the tariffs would be implemented. The U.S. trade representative’s list of products will be subject to public comment, but it wasn’t specified for how long. A final list of products will be announced sometime later.

Finally, it’s not clear whether the tariffs will ever go into effect. The administration says it’s “in the midst of major and positive negotiations” with China, seeking to reduce our trade deficit with the nation by \$100 billion.

The president also has instructed the U.S. trade representative to ask the World Trade Organization to address what the U.S. considers China’s discriminatory technology licensing

practices. And the U.S. is seeking to restrict Chinese investment in industries or technologies deemed important to the U.S.

### Which Products Could Get Hit

“Among the imports expected to be targeted by punitive tariffs are information and communication technology products, which are presumed to have benefited from intellectual property theft,” Ikenson says.

That means that smartphones, possibly including the iPhone, might become more expensive if there is a trade war.

“Remember the inscription on the back of the Apple iPhone? It reads ‘Designed by Apple in California Assembled in China,’” he says.

Ikenson pointed out that in 2013, it cost \$178.96 to produce an iPhone but that only \$6.44, or 3.6 percent, of it was due to China.

“Yet, the entire \$178.96 is chalked up as imported from China, exaggerating the U.S. bilateral trade deficit, which is the main reason Trump wants to impose tariffs in the first place,” he says.

But the list of possible products affected could extend beyond technology. Because the president is invoking Section 301—a key enforcement tool that allows the U.S. to address a wide variety of unfair acts, policies, and practices of U.S. trading partners—tariffs could be imposed on products that have nothing to do with intellectual property concerns.

Imports of Chinese-made power tools and small electrical appliances top the list of potential targets for U.S. tariffs, according to a recent report from Goldman Sachs economics research. Sporting goods, toys, jewelry, and consumer electronics including TVs rank highly on its list as well.

Other products ripe for tariffs are those in categories where the U.S. runs a large bilateral deficit. Also at risk are next-generation information technology, robotics, aerospace equipment, and advanced medical devices, among others.