

The Washington Post

Trump starts a trade war, any recession will be on him

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Both in process and substance, President Trump's announcement on steel and aluminium tariffs reflects his willful ignorance and the utter failure of those around him to curb his grave defects. The Post reports:

President Trump on Thursday said he had decided to impose punishing tariffs on imported steel and aluminum in a major escalation of his trade offensive, disappointing Republican congressional leaders and inviting retaliation by U.S. trading partners.

Speaking at the White House, the president said he had decided on tariffs of 25 percent for foreign-made steel and 10 percent for aluminum.

"We'll be signing it next week. And you'll have protection for a long time in a while," the president said. "You'll have to regrow your industries, that's all I'm asking."

The announcement capped an on-again, off-again episode with the president initially expected to announce the trade action on Thursday morning only to cancel amid a fierce pushback from opponents. Trump acted following a determination by the Commerce Department earlier this month that rising import volumes threatened U.S. national security.

The president's move, relying upon a little-used provision of U.S. trade law, is expected to trigger immediate legal challenges by U.S. trading partners at the World Trade Organization and invite retaliation against American exports.

There are virtually no respectable economists, certainly not conservative ones, who think tariffs are anything but an economic disaster. For economic conservatives still clinging to the notion that Trump was a positive force for the economy, Trump's move should come as a rude awakening.

Before the announcement, Daniel J. Ikeson of the Cato Institute warned:

Producers who purchase those basic inputs to manufacture the very materials deemed critical to national defense ... would be weakened by trade restrictions, exposing them to competition from foreign rivals with lower production costs capable of offering lower prices in the U.S. market.

Of course, the problems wouldn't end there. Any U.S. decision to restrict imports based on the argument that an abundance of low-priced raw materials from a diversity of sources somehow threatens national security would lower the bar so significantly as to

invite every other member of the World Trade Organization to invoke national security to protect favored industries.

Aggrieved trading partners need not confine themselves to any single sector of the economy. “How government[s] react — and what happens to the trading system as a result—will largely be determined by the nature, duration, and magnitude of the U.S. remedies,” Ikeson explains. “The more modest the restrictions, the less the collateral damage. But the bottom line is that once Trump opens Pandora’s Box by rationalizing protectionism as a national security imperative, the durability of the rules based trading system will be tested like never before, with global economic security hanging in the balance.”

This is not only a grievous economic misstep but another attack on the international liberal order that has helped spread prosperity for 70 years. As the United States is increasingly seen as an international scofflaw (pulling out of the Paris accord, imposing sanctions), China is likely to be the biggest beneficiary. It can pose as the responsible international economic and political leader while the United States becomes a destabilizing, undependable partner. We should not ignore the negative diplomatic and strategic consequences that may flow from this.

The magnitude of the fallout from this move, if Trump doesn’t change his mind again, may dwarf anything gained by deregulatory or tax moves that generally pleased the right. Incoherent, disruptive economic policy takes away from one of the justifications that Republicans used to stick with this president. Now they really have only “but Gorsuch” left.

UPDATE: Reacting to Trump’s horrendous trade decision, the Dow Jones industrial average is as of this writing down 500 points. Perhaps loss of bragging rights about stock prices may shock Trump into reconsidering his move. The former car czar Steven Rattner tells me, “As today’s stock market reaction indicates, Donald Trump is in a small minority of people who think these kinds of tariffs are a good idea. I thought we had all learned our lesson after Smoot-Hawley in 1930.”