



Trump's tariffs: Where we are, where we might be going

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A threat from **President Trump** to extend **existing tariffs** and **impose new duties** on **China** would be the most significant escalation to date in the trade skirmish between the two nations and could have a sweeping impact on **corporate America** and U.S. consumers.

Companies like Ford Motor Co. and Caterpillar say the existing 25 percent tariffs on \$50 billion in Chinese products and the 10 percent tariff on \$200 billion on goods from the country, coupled with the double-digit duties on steel and aluminum imports, have added billions of dollars in operating costs.

Products currently impacted by the tariffs include everything from sweet potatoes and luggage to copper alloys, vehicle parts and television antennas.

But despite concerns from U.S. businesses, some experts say consumers have largely avoided any significant increase in prices. The core consumer pricing index, a closely watched indicator for changes in the cost of American goods, grew 2 percent from September 2018 to March 2019, the lowest level in a year.

"The tariffs to now haven't meant anything for the U.S. economy," American Enterprise Institute's Derek Scissors told FOX Business. "Basically, this is an effect on the stock market, that's what has been impacted by tariffs."

Part of that is due to products the White House has targeted. The administration, for example, removed several Apple items from a proposed list of tariff targets amid concerns that it would lead to higher prices.

"The most obvious consumer products were left out initially so consumers would be spared," Simon Lester, associate director of the Cato Institute's trade center, said.

The American economy has also remained resilient. The U.S., for example, added 263,000 jobs in April, far exceeding expectations.

One study, however, estimated that all the tariffs, including both the China duties, as well as those on imports of steel, aluminum and washing machines, **have added \$3 billion in tax costs per month.**

Regardless, Trump's latest threat to increase all tariffs on Chinese products to 25 percent -- as well as extend them to an additional \$325 billion in goods, the entirety of imports from the Asian nation -- would have a more far-reaching effect on consumer-facing industries and could force companies that have avoided price hikes to increase costs to mitigate the impact.

"It's one thing to try to hide a 10 percent cost increase somewhere in your supply chain. It's another thing to [hide] 25 percent," said David French, senior vice president at the National Retail Federation. "More and more is going to find its way to the consumer."

On top of increasing prices, such a move would add ample uncertainty to companies that are trying to craft plans for the next several years. While new tariffs on \$325 billion in imports would need to undergo an extensive federal process, Trump could immediately increase the existing duties without the need to solicit feedback from the private sector.

"Getting five days' notice for a significant increase in the price of goods is difficult to deal [with]," French said.

China would have some tools at its disposal to ding the American economy in retaliation, including adding new tariffs on major U.S. exports like airplane parts or semiconductors. But the country imports far fewer products and would not have as extensive a list of products to target as the U.S. does.

China has already imposed counter-tariffs on roughly \$110 billion in U.S. imports. One key mechanism for retribution could be withholding future agriculture purchases.

"The Chinese have been a major agricultural partner. If you just take that away it's not that easy to find substitutes," Scissors said. "It's a real blow to agriculture to lose the Chinese market."

It could also retaliate in more subtle ways, including delaying licensing approvals and holding up customs inspections.

Trump is hoping the threat of new tariffs will force China to make last-minute concessions in a trade deal that White House officials and others had hoped could be finalized as early as this month.

While a Chinese delegation of roughly 100 individuals was slated to travel to Washington, D.C., this week to continue talks, it is now unclear whether the in-person negotiations are still on.